

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Ionia</b>	County <b>Ionia County</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/22/05</b>	Date Accountant Report Submitted to State: <b>11/18/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney</b>			
Street Address <b>3511 Coolidge, Suite 100</b>		City <b>East Lansing</b>	State <b>MI</b>
		ZIP <b>48823</b>	
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i> <i>Adam M. Jones</i>			Date <b>11/2/05</b>

**City of Ionia  
Ionia County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2005**

City of Ionia

Ionia County, Michigan

June 30, 2005

CITY COUNCIL AND ADMINISTRATION

Mr. Daniel Balice	Mayor
Mr. James Smith	Council Member
Ms. Monica Miller	Council Member
Mr. Kim Patrick	Council Member
Ms. Robin Woodbury	Council Member
Mr. Gordon Kelly	Council Member
Mr. Kevin Miller	Council Member
Ms. Terri Ruthruff	Council Member
Mr. Robert O'Mara	Council Member
Mr. Lynn Lafler	Interim City Manager
Ms. Catherine Pearce	Treasurer/Director of Finance
Ms. Karen Confer	City Clerk

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Ionia  
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ionia, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ionia, Michigan, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005 on our consideration of the City of Ionia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ionia's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2005

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**

The intent of the management's discussion and analysis is to provide highlights of the City of Ionia's financial activities for the fiscal year ended June 30, 2005. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

**Net Assets:** The total assets of the City of Ionia did exceed its liabilities by \$16,961,875 (net assets). Restricted capital assets include \$2,414,206 from bond proceeds that are to be used in the FY 05-06 to pay for capital asset projects that have been bid but were not constructed at June 30, 2005, \$822,623 for future debt service payments, and other restrictions for streets and grant activities, resulting in an unrestricted net assets balance of \$(527,040). Working capital, the difference between Current Assets and Current Liabilities, shows a positive cash flow to meet the City's ongoing obligations. Governmental activities net assets were \$9,747,169 and Business-type activity net assets were \$7,214,706. Component unit net assets were \$(6,623,090). It is typical for component units to have debt without a corresponding capital asset because the capital purchases/improvements are turned over to the governmental funds.

**Unreserved Fund Balance:** At the end of the current fiscal year, unreserved fund balances for City of Ionia's governmental funds were \$741,127, or 8% of total annual expenditures and other financing uses. The General Fund's fund balance increased by \$163. Unreserved Fund Balance allows for fluctuations in cash flows.

**Capital and Long-term Debt Activities:** The governmental activities of the primary government issued new debt for the fiscal year for capital purchases of three (3) Public Safety Cruisers. The business-type activities issued a \$3.7 million bond through the County Board of Public Works for utility improvements throughout the City.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report of the City of Ionia consists of the following components: 1) Independent Auditors Report, 2) Management's Discussion and Analysis and 3) the Basic Financial Statements including notes to the financial statement, and 4) Required Supplementary Information such as budget to actual comparisons and Other Supplementary Information including combining financial statements for all nonmajor governmental funds and proprietary funds.

**Government-wide Financial Statements**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of Ionia as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of Ionia, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets represents all the City of Ionia's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during FY 04-05. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows.

Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.



**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

Both statements report the following activities:

**Governmental Activities** - Most of the City of Ionia's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments such as Public Safety, the City Council, Public Works, and Recreation programs are reported under these activities. This also includes the activities such as the Major and Local Street maintenance.

**Business-type Activities** - These activities operate like private businesses. The City of Ionia charges fees to recover the cost of the services provided. The City's Water & Sewer Systems are considered business-type activities as well as the Theatre and Dial-A-Ride.

**Discretely Presented Component Units** - Discretely Presented Component Units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of Ionia. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types.

### **Fund Financial Statements**

The fund financial statements provide information on the City's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (Central Garage) as well as enterprise funds such as the Water & Sewer Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Ionia include the General Fund, Grant Projects, Dial-A-Ride and the Water & Sewer Funds. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of Ionia includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of Ionia's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Ionia programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

**Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of Ionia's other operations, such as the Central Garage Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

**Fiduciary Funds** - The City of Ionia acts as a trustee or fiduciary in certain instances. The City's fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 17. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of Ionia to fund its operations. The taxes that are collected during the year are paid to the taxing unit of government.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 18 of this report.

**Other Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund.

Other Supplementary Information includes combining financial statements for nonmajor governmental funds, budgetary schedules for nonmajor Special Revenue Funds, and a detailed schedule of revenues, expenditures, and change in fund balance for the Grant Projects Fund. The nonmajor funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**FINANCIAL ANALYSIS OF THE CITY OF IONIA AS A WHOLE**

The Statement of Net Assets and the Statement of Activities provide the information to determine how the City of Ionia did financially during FY 04-05. The net assets and the changes in them can indicate whether financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, and new or changed government legislation also need to be considered in determining the City's financial health.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the resident and they are not available to pay salaries, operational expenses, or fund capital projects.

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**NET ASSETS AS OF JUNE 30, 2005**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current and Other Assets	\$ 1,391,961	\$ 1,978,843	\$ 5,574,979	\$ 3,883,642	\$ 6,966,940	\$ 5,862,485
Capital Assets	<u>13,646,307</u>	<u>14,428,076</u>	<u>18,745,931</u>	<u>16,799,283</u>	<u>32,392,238</u>	<u>31,227,359</u>
<b>Total Assets</b>	15,038,268	16,406,919	24,320,910	20,682,925	39,359,178	37,089,844
Current Liabilities	1,286,357	1,660,549	1,079,998	750,855	2,366,355	2,411,404
Noncurrent Liabilities	<u>4,004,742</u>	<u>4,527,166</u>	<u>16,011,930</u>	<u>13,122,338</u>	<u>20,016,672</u>	<u>17,649,504</u>
<b>Total Liabilities</b>	5,291,099	6,187,715	17,091,928	13,873,193	22,383,027	20,060,908
Net Assets						
Invested in capital Assets - (Net of related debt)	9,444,873	9,763,390	4,777,135	3,306,783	14,222,008	13,070,173
Restricted	30,078	2,370	3,236,829	855,417	3,266,907	857,787
Unrestricted	<u>272,218</u>	<u>453,444</u>	<u>( 799,258 )</u>	<u>2,647,532</u>	<u>( 527,040 )</u>	<u>3,100,976</u>
<b>Total Net Assets</b>	<b><u>\$ 9,747,169</u></b>	<b><u>\$ 10,219,204</u></b>	<b><u>\$ 7,214,706</u></b>	<b><u>\$ 6,809,732</u></b>	<b><u>\$ 16,961,875</u></b>	<b><u>\$ 17,028,936</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Ionia's net assets changed during the fiscal year.

**CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,092,579	\$ 1,185,410	\$ 3,110,847	\$ 2,619,305	\$ 4,203,426	\$ 3,804,715
Operating Grants and Contributions	2,208,465	1,268,124	1,246,137	1,213,562	3,454,602	2,481,686
Capital Grants and Contributions	2,220	0	106,076	509,141	108,296	509,141
General Revenues:						
Property Taxes	722,790	923,781	67,356	63,833	790,146	987,614
Income Tax	1,648,482	1,596,358	0	0	1,648,482	1,596,358
State Shared Revenue	937,898	1,007,005	0	0	937,898	1,007,005
Investment Earnings	9,690	11,269	67,282	17,450	76,972	28,719
Miscellaneous	<u>199,450</u>	<u>228,387</u>	<u>482,468</u>	<u>22,550</u>	<u>681,918</u>	<u>250,937</u>
<b>Total Revenues</b>	<b>6,821,574</b>	<b>6,220,334</b>	<b>5,080,166</b>	<b>4,445,841</b>	<b>11,901,740</b>	<b>10,666,175</b>

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Government	\$ 1,871,188	\$ 1,820,366	\$ 0	\$ 0	\$ 1,871,188	\$ 1,820,366
Public Safety	2,197,288	2,003,271	0	0	2,197,288	2,003,271
Public Works	1,437,124	1,271,654	0	0	1,437,124	1,271,654
Health and Welfare	33,885	50,827	0	0	33,885	50,827
Community and Economic Develop.	132,889	11,254	0	0	132,889	11,254
Recreation and Cultural	1,413,226	1,058,767	0	0	1,413,226	1,058,767
Interest on long-term debt	300,044	252,156	0	0	300,044	252,156
Dial-A-Ride	0	0	760,785	745,765	760,785	745,765
Sewer System	0	0	1,868,551	1,825,349	1,868,551	1,825,349
Water System	0	0	1,665,569	1,648,770	1,665,569	1,648,770
Theatre	0	0	256,317	257,851	256,317	257,851
<b>Total Expenses</b>	<b>7,385,644</b>	<b>6,468,295</b>	<b>4,551,222</b>	<b>4,477,735</b>	<b>11,936,866</b>	<b>10,946,030</b>
<b>Transfers</b>	<u>92,035</u>	<u>69,775</u>	<u>( 92,035 )</u>	<u>( 69,775 )</u>	<u>0</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<b>( 472,035 )</b>	<b>( 178,186 )</b>	<b>436,909</b>	<b>( 101,669 )</b>	<b>( 35,126 )</b>	<b>( 279,855 )</b>
Net Assets - Beginning	10,219,204	10,397,390	6,809,732	6,976,978	17,028,936	17,374,368
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>( 31,935 )</u>	<u>( 65,577 )</u>	<u>( 31,935 )</u>	<u>( 65,577 )</u>
<b>Net Assets - Ending</b>	<b><u>\$ 9,747,169</u></b>	<b><u>\$10,219,204</u></b>	<b><u>\$7,214,706</u></b>	<b><u>\$ 6,809,732</u></b>	<b><u>\$16,961,875</u></b>	<b><u>\$17,028,936</u></b>

**Governmental Activities:**

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Changes in Net Assets shows that the Primary Governmental operations had a reduction of net assets by a total of \$(472,035). During the year, the governmental activities had excess depreciation over capital outlay of \$157,128. While depreciation expense does not affect cash, it does affect the capital assets.

**Revenues:** The three largest revenue categories were Operating Grants and Contributions at 32%, Income Taxes at 24% and Charges for Services at 16%. The City of Ionia implemented a City Income Tax in 1994. Residents (individual and business) pay 1% on net earnings, and Non-Residents pay ½%. The City reduced the 15 Operating mills of property tax to 3 mills once the income tax was approved. The 3 mills of operating and the income taxes are not assigned to any particular activity. In FY 03-04 and FY 04-05 the City levied 2 mills per PA 33, for maintaining Public Safety. This millage will also be collected on the 2005 winter tax bills.

**Expenses:** Public Safety activities totaled \$2,197,288, or 30% of the total governmental activities expenses. General Government which includes fringe benefits (including Public Safety), administration, elections, code enforcement, trash pickup and building expenses was 25.3% of the total governmental activities expenses at \$1,871,188. Public Works (roads, and sidewalks) totaled \$1,437,124, or 19%, while Recreation Cultural was \$1,413,226, or 19%.

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Business-type Activities:**

The Change in Net Assets for business-type activity shows an increase of \$404,974. This increase is primarily due to connection fees paid for water service by new development in neighboring townships. The City does not fund Depreciation expense in order to keep user fees reasonable for residents. This approach does require the use of bonds and loans in order to pay for capital improvements to assets, which ultimately ties the cost of improvements to the users of the improvements.

**FINANCIAL ANALYSIS OF THE CITY OF IONIA MAJOR FUNDS**

As the City of Ionia completed fiscal year 2005, its governmental funds reported *combined* decrease in fund balances of \$(138,212).

The net changes are summarized in the following chart:

	General Fund	Grant Projects	Nonmajor Governmental Funds
<b>Fund Balance 6/30/04</b>	\$ 557,863	\$ 1,354	\$ 320,122
<b>Fund Balance 6/30/05</b>	558,026	28,633	154,468
<b>Net Change</b>	\$ 163	\$ 22,279	\$( 165,654 )

The General Fund balance did not change significantly. The Grant Projects fund balance will be used in the FY 05-06 for capital project expenditures on infrastructure.

**General Fund:** The General Fund is the chief operating fund of the City of Ionia. Unless otherwise required by statute, contractual agreement or Council policy, all City of Ionia revenues and expenditures are recorded in the General Fund. As of June 30, 2005, the General Fund reported an unreserved fund balance of \$558,026. This amount is an increase of \$163 from the fund balance of \$557,863 reported as of June 30, 2004.

The General Fund fiscal year 2005 revenues exceeded expenditures by \$414,514. Transfers Out for use in the Recreation, Debt Services and Local Streets Funds utilized the budgeted excess.

**General Fund Budgetary Highlights:** General Fund revenues and other financing sources totaled \$4,585,164; \$159,315 more than the final amended budget. The difference is a 3.5% increase from the final budget; the widest variation was in building permits. The level of development within the City increased considerably during FY 04-05. Consequently, engineering fees for review also increased. The fees have subsequently been passed onto the developers in form of increased permit fees. Public Safety also received reimbursement from the B93 Birthday Bash held in June 2005.

The City of Ionia expenditures and other financing uses totaled \$4,585,001; \$159,152 more than the final amended budget. This difference is due to 1) pay out of accrued sick/vacation to the retired City Manager; 2) the increase in engineering fees from review of building codes surpassed the estimation based on activity at the time amendments were presented to Council; and 3) the purchase of 3 Public Safety Cruisers.

**Grant Projects:** The Grant Projects Fund received federal and state grants as well as contributions from the Sewer Fund, Water Fund, and the Ionia Area Sewage Disposal System to finance various capital projects. The most significant expenditures for this fund for the fiscal year ended June 30, 2005, was the Downtown Gateway project. This project accounted for 45% of the total expenditures of the Grant Projects Fund.

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Dial-A-Ride:** The Dial-A-Ride (DAR) fund had a decrease to its net assets of \$(90,931). DAR's operating revenues were more than last year. Operating Expenses were also more by \$15,020 from the previous year, due in part to increased fuel and heating costs and from the Commission on Aging pass through grant.

Depreciation expense, of \$161,765 is a non-cash expense, which represents the reduction in the value of the facility and busses. Due to the nature of the DAR's capital improvement plan, this cost is not considered in the budget process because of the capital grants available through State and Federal Funding. The prior year adjustment reflects a restatement of the receivable from the State for prior year grants that are settled and determined uncollectible at June 30, 2005.

**Water Fund:** Net assets of the Water Fund increased by \$542,217. This increase was due to water connection fees from development along M-66, primarily in Berlin Township. Rate increases effective July 1, 2004 resulted in increased user fees. Depreciation expense on the capital assets for the year was \$430,141. In the past six years, the Water Fund has bonded for \$14,487,000 in water system improvements, including the most recent Utility Improvement Bond issued on June 7, 2005. As a major water user - the State of Michigan, Department of Corrections has committed to paying for \$5,832,960 of these improvements, which helps to keep water rates at a reasonable level. Operating expenses decreased by 5% from FY 03-04 due to a one time administrative fee of \$90,000 paid to the General Fund on the bond issue in April 2004. Interest expense for the year increased by \$75,358.

**Sewer Fund:** The Sewer Fund had a decrease to its net assets of \$9,026. Rate increases effective July 1, 2004 resulted in increased user fees. The depreciation expense on the capital assets for the year was \$53,501. In the past 6 years, the Sewer Fund has bonded for \$3,807,000 of sewer system improvements, including the most recent Utility Improvement Bond issued on June 7, 2005. As a major sewer user - the State of Michigan, Department of Corrections has committed to paying 69.44% of the debt on the 1976 & 1990 expansion of the treatment plant, which helps to keep rates at a reasonable level. Each spring a rate study is completed to determine the usage and debt service fee required to meet obligations. Effective July 1, 2005, the sewer rate was increased.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of Fiscal Year 04-05, the City of Ionia had invested \$13,646,307 and \$18,745,931 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$7,283,531 for the governmental activities and \$7,443,353 for the business-type activities. Depreciation charges for the fiscal year totaled \$1,086,477 for the governmental activities and \$683,680 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>TOTAL</b>
Land	\$ 238,370	\$ 1,219,180	\$ 1,457,550
Construction in progress	-	1,656,018	1,656,018
Land Improvements, net	1,298,835	1,613	1,300,448
Buildings, net	889,982	-	889,982
Vehicles, net	1,168,183	151,138	1,319,321
Furniture/Other, net	1,548,391	2,150,982	3,699,373
Infrastructure, net	8,502,546	-	8,502,546
Structures and improvements	<u>-</u>	<u>13,567,000</u>	<u>13,567,000</u>
<b>Capital Assets, net</b>	<b><u>\$13,646,307</u></b>	<b><u>\$18,745,931</u></b>	<b><u>\$32,392,238</u></b>

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Long-term Debt**

As of June 30, 2005, the City of Ionia had \$21,061,700 in bonds, notes and accumulated vacation and sick time outstanding for the primary government. Of this amount, \$19,603,000 is bonds, \$477,266 is sick and vacation, and \$981,434 is loans and notes (refer to Note G). This level of net obligation is \$2,362,652 more than the obligation recorded as of June 30, 2004. The increase was due to new loans from equipment purchases and the \$3.7 million utility bond issued by the County Board of Public Works.

**Outstanding Debt and Debt Limit as of June 30, 2005:**

Direct Debt:	<u>2005</u>
State Equalized Valuation	\$ 134,671,583
Plus Assessed Value of IFT Certificates	<u>22,816,041</u>
Total Valuation	<u>\$ 157,487,624</u>
DEBT LIMIT (10% of SEV)	\$ 15,748,762

PRIMARY GOVERNMENT	<u>6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2005</u>
Governmental Activities:				
* Bonds	\$ 3,530,000	\$ -	\$ 310,000	\$ 3,220,000
* Loans	1,134,686	63,645	216,897	981,434
DDA Bonds	6,425,000	-	695,000	5,730,000
* DDA Loan	1,800,205	-	1,800,205	-
* LDFA Loan	674,131	34,064	10,426	697,769
Accumulated Vacation & Sick	512,292	-	65,472	446,820
TOTAL Governmental Activities:	14,076,314	97,709	3,098,000	11,076,023
Business Type Activities				
* Water & Sewer Bond	13,492,500	3,330,000	439,500	16,383,000
Accumulated Vacation & Sick	<u>29,570</u>	<u>876</u>	<u>-</u>	<u>30,446</u>
TOTAL Business Type Activities	<u>13,522,070</u>	<u>3,330,876</u>	<u>439,500</u>	<u>16,413,446</u>
TOTAL REPORTING ENTITY	\$ 27,598,384	\$3,428,585	\$ 3,537,500	\$27,489,469
* Less Bonds which are not included in Debt Margin	<u>( 19,818,384 )</u>			<u>(20,052,203)</u>
TOTAL DEBT LIMITED TO 10% OF SEV	<u>7,780,000</u>			<u>7,437,266</u>
Legal Debt Margin not currently utilized	<u>\$ 7,721,459</u>			<u>\$ 8,311,496</u>

(\*) Bonds not included: Special Assessment Bond, Transportation Bonds, Revenue Bonds, Public Health Pollution Abatement, Installment Purchases

**CITY OF IONIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2005

**Limitations on Debt:**

State statute limits the City of Ionia debt obligations to 10 percent of the current state equalized value (SEV) with deductions from the total debt for special assessments, revenue bonds, and transportation bonds. The City of Ionia's SEV as of June 30, 2005 was \$157 million; therefore the City's debt limitation was \$15.7 million. The City of Ionia remains below its legal debt limit by \$8.3 million after adjusting the total debt of \$20 million by the bonds that are exempt from the calculation. The bonds that are currently outstanding represent a broad range of city-wide improvements to utilities, roads, equipment, street lights, and sidewalks. These capital projects replace outdated equipment and deteriorated infrastructure.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS**

Through sound financial processes, the City of Ionia continues to provide high quality services to its residents while replacing aging infrastructure. Property tax and utility rates continue to rank among the lowest in West Michigan. These low rates remain attractive to business and industry, resulting in new businesses locating in Ionia while existing businesses grow. Continued business growth translates into increased income tax revenues to the City. The increased business base in the area is beginning to lead to new residential development in the area, adding much needed new homes to the City's aging housing stock.

Over the next few fiscal years, the City will continue its efforts to keep tax and utility rates low, improve and expand City services while paying down outstanding debt.

**CONTACTING THE CITY OF IONIA**

This financial report is designed to provide our readers with an overview of the City's finances. If there are questions about this report, contact the City of Ionia Treasurer's Office at (616) 527-4170, ext 120 or via email: [cathy@ci.ionia.mi.us](mailto:cathy@ci.ionia.mi.us), or City Manager, Jason Eppler at ext 223, or via email: [ioniamanager@city.ionia.mi.us](mailto:ioniamanager@city.ionia.mi.us).



## **BASIC FINANCIAL STATEMENTS**

## City of Ionia

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			
	Governmental Activities	Business- type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 444,237	\$ 41,934	\$ 486,171	\$ (525,754)
Receivables	448,107	1,101,560	1,549,667	19,322
Due from other governmental units	699,271	22,304	721,575	759
Inventory	-	25,680	25,680	-
Prepaid expenses	-	1,428	1,428	-
Internal balances	(199,654)	199,654	-0-	-
Total current assets	1,391,961	1,392,560	2,784,521	(505,673)
Noncurrent assets				
Cash and cash equivalents - restricted	-	939,767	939,767	-
Investments - restricted	-	15,000	15,000	-
Deposit with county	-	3,227,652	3,227,652	-
Capital assets not being depreciated	238,370	2,875,198	3,113,568	375,256
Capital assets, net of accumulated depreciation	13,407,937	15,870,733	29,278,670	-
Total noncurrent assets	13,646,307	22,928,350	36,574,657	375,256
TOTAL ASSETS	15,038,268	24,320,910	39,359,178	(130,417)
LIABILITIES				
Current liabilities				
Accounts payable	362,598	178,910	541,508	524
Accrued liabilities	54,051	13,024	67,075	-
Accrued interest payable	176,471	167,349	343,820	64,333
Due to other governmental units	8,896	87,068	95,964	47
Customer deposits	-	63,440	63,440	-
Deferred revenue	40,829	107,897	148,726	-
Current portion of compensated absences	111,705	22,810	134,515	-
Current portion of long-term debt	531,807	439,500	971,307	720,000
Total current liabilities	1,286,357	1,079,998	2,366,355	784,904
Noncurrent liabilities				
Compensated absences	335,115	68,430	403,545	-
Noncurrent portion of long-term debt	3,669,627	15,943,500	19,613,127	5,707,769
Total noncurrent liabilities	4,004,742	16,011,930	20,016,672	5,707,769
TOTAL LIABILITIES	5,291,099	17,091,928	22,383,027	6,492,673
NET ASSETS				
Invested in capital assets, net of related debt	9,444,873	4,777,135	14,222,008	(5,354,744)
Restricted for:				
Streets	1,445	-	1,445	-
Debt service	-	822,623	822,623	-
Grant activities	28,633	-	28,633	-
Capital projects	-	2,414,206	2,414,206	-
Unrestricted	272,218	(799,258)	(527,040)	(1,268,346)
TOTAL NET ASSETS	\$ 9,747,169	\$ 7,214,706	\$ 16,961,875	\$ (6,623,090)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					Component Units	
	Expenses	Program Revenues		Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
Primary government:							
General government	\$ 1,871,188	\$ 606,779	\$ -	\$ -	\$ (1,264,409)	\$ -	\$ -
Public safety	2,197,288	202,171	80,712	-	(1,914,405)	-	(1,914,405)
Public works	1,437,124	202,237	1,039,987	2,220	(192,680)	-	(192,680)
Health and welfare	33,885	-	-	-	(33,885)	-	-
Community and economic development	132,889	-	180,698	-	47,809	-	47,809
Recreation and cultural	1,413,226	81,392	839,755	-	(492,079)	-	(492,079)
Interest on long-term debt	300,044	-	67,313	-	(232,731)	-	-
Total governmental activities	7,385,644	1,092,579	2,208,465	2,220	(4,082,380)	-0-	(4,082,380)
Business-type activities:							
Dial-a-ride	760,785	110,362	411,788	106,076	-	(132,559)	-
Sewer system	1,868,551	1,591,209	322,892	-	-	45,550	45,550
Water system	1,665,569	1,194,866	511,457	-	-	40,754	40,754
Theatre	256,317	214,410	-	-	-	(41,907)	(41,907)
Total business-type activities	4,551,222	3,110,847	1,246,137	106,076	-0-	(88,162)	-0-
Total primary government	\$ 11,936,866	\$ 4,203,426	\$ 3,454,602	\$ 108,296	(4,082,380)	(88,162)	(4,170,542)
Component units:							
Downtown Development Authority	\$ 536,977	\$ -	\$ -	\$ -	-	-	-0-
Local Development Finance Authority	34,965	-	-	-	-	-	-0-
Total component units	\$ 571,942	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	(571,942)
General revenues:							
Property taxes					722,790	67,356	790,146
Income taxes					1,648,482	-	1,648,482
State shared revenue					937,898	-	937,898
Investment earnings					9,690	67,282	76,972
Miscellaneous					199,450	482,468	681,918
Transfers					92,035	(92,035)	-0-
Total general revenues and transfers					3,610,345	525,071	4,135,416
Change in net assets					(472,035)	436,909	(35,126)
Net assets, beginning of the year					10,219,204	6,809,732	17,028,936
Prior period adjustments					-	(31,935)	(31,935)
Net assets, end of the year					\$ 9,747,169	\$ 7,214,706	\$ 16,961,875
							\$ (6,623,090)

See accompanying notes to financial statements.

## City of Ionia

## GOVERNMENTAL BALANCE SHEET

June 30, 2005

	General	Grant Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 544,529	\$ (25,039)	\$ (211,728)	\$ 307,762
Receivables				
Taxes	174,710	-	11,735	186,445
Accounts	189,699	-	1,439	191,138
Interest	7,462	-	-	7,462
Special assessments	28,552	-	716	29,268
Due from other funds	19	-	1,150	1,169
Due from other governmental units				
State	128,463	158,009	406,801	693,273
Local	5,998	-	-	5,998
<b>TOTAL ASSETS</b>	<b>\$ 1,079,432</b>	<b>\$ 132,970</b>	<b>\$ 210,113</b>	<b>\$ 1,422,515</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 233,132	\$ 81,687	\$ 34,412	\$ 349,231
Accrued wages	38,496	-	8,806	47,302
Other accrued liabilities	5,082	-	673	5,755
Due to other funds	187,050	13,754	19	200,823
Due to other governmental units	-	8,896	-	8,896
Deferred revenue	57,646	-	11,735	69,381
<b>TOTAL LIABILITIES</b>	<b>521,406</b>	<b>104,337</b>	<b>55,645</b>	<b>681,388</b>
<b>FUND EQUITY</b>				
Fund balances				
Reserved for				
Debt service	-	-	6,409	6,409
Grant activities	-	28,633	-	28,633
Sick pay	-	-	344	344
Unreserved				
Undesignated, reported in:				
General fund	558,026	-	-	558,026
Special revenue funds	-	-	40,488	40,488
Capital project funds	-	-	107,227	107,227
<b>TOTAL FUND EQUITY</b>	<b>558,026</b>	<b>28,633</b>	<b>154,468</b>	<b>741,127</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,079,432</b>	<b>\$ 132,970</b>	<b>\$ 210,113</b>	<b>\$ 1,422,515</b>

See accompanying notes to financial statements.

City of Ionia

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

**Total fund balance - governmental funds** \$ 741,127

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 20,929,838	
Accumulated depreciation is	<u>(7,283,531)</u>	
Capital assets, net		13,646,307

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	592,095	
Net capital assets of Internal Service Funds included in total capital assets above	(645,402)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>209,215</u>	
		155,908

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		28,552
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Long-term liabilities at year-end consist of:

Bonds, loans, and notes payable	4,201,434	
Accrued interest payable	176,471	
Compensated absences	<u>446,820</u>	
		<u>(4,824,725)</u>

**Net assets of governmental activities** \$ 9,747,169

See accompanying notes to financial statements.

## City of Ionia

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	General	Grant Projects	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,155,962	\$ -	\$ 215,310	\$ 2,371,272
Licenses and permits	145,373	-	-	145,373
Intergovernmental	1,205,488	1,099,942	860,116	3,165,546
Charges for services	725,667	-	67,329	792,996
Fines and forfeits	40,652	-	-	40,652
Interest and rents	97,782	-	25,469	123,251
Other	120,926	63,845	6,160	190,931
<b>TOTAL REVENUES</b>	<b>4,491,850</b>	<b>1,163,787</b>	<b>1,174,384</b>	<b>6,830,021</b>
<b>EXPENDITURES</b>				
Current				
General government	1,869,391	-	-	1,869,391
Public safety	1,680,508	-	-	1,680,508
Public works	72,058	-	774,518	846,576
Health and welfare	33,885	-	-	33,885
Community and economic development	132,889	-	-	132,889
Recreation and cultural	55,419	-	412,657	468,076
Capital outlay	64,332	2,547,738	241,245	2,853,315
Debt service	168,854	-	510,260	679,114
<b>TOTAL EXPENDITURES</b>	<b>4,077,336</b>	<b>2,547,738</b>	<b>1,938,680</b>	<b>8,563,754</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>414,514</b>	<b>(1,383,951)</b>	<b>(764,296)</b>	<b>(1,733,733)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	29,669	1,411,230	637,661	2,078,560
Transfers out	(507,665)	-	(39,019)	(546,684)
Proceeds from notes	63,645	-	-	63,645
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(414,351)</b>	<b>1,411,230</b>	<b>598,642</b>	<b>1,595,521</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>163</b>	<b>27,279</b>	<b>(165,654)</b>	<b>(138,212)</b>
Fund balances, beginning of year	557,863	1,354	320,122	879,339
Fund balances, end of year	<u>\$ 558,026</u>	<u>\$ 28,633</u>	<u>\$ 154,468</u>	<u>\$ 741,127</u>

See accompanying notes to financial statements.

City of Ionia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

**Net change in fund balances - total governmental funds** **\$ (138,212)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (1,086,477)	
Capital outlay	<u>1,243,605</u>	
Excess of capital outlay over depreciation expense		157,128
Net effect of disposal of capital assets		(938,897)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

(Decrease) in Net Assets of Internal Service Funds	(30,359)	
Depreciation expense of Internal Service Funds included in the total above	112,223	
Capital outlay of Internal Service Funds included in the total above	(1,001)	
Change in long-term liabilities of Internal Service Funds included in the totals below	<u>(80,500)</u>	
		363

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement	526,897	
Loan proceeds	<u>(63,645)</u>	
		463,252

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (8,446)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(72,695)	
Decrease in accrued compensated absences	<u>65,472</u>	
		<u>(7,223)</u>

**Change in net assets of governmental activities** **\$ (472,035)**

See accompanying notes to financial statements.

## City of Ionia

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2005

	Business-type		
	Dial-A-Ride	Sewer	Water
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 198,539	\$ (31,027)	\$ (125,728)
Accounts receivable	6,233	264,431	825,448
Taxes receivable	5,448	-	-
Due from other funds	-	246	199,408
Due from other governmental units - State	22,304	-	-
Prepaid expenses	1,428	-	-
Inventory	-	-	25,680
Total current assets	233,952	233,650	924,808
Noncurrent assets			
Cash and cash equivalents - restricted	-	-	939,767
Investments - restricted	-	15,000	-
Deposits with County	-	1,498,180	1,729,472
Capital assets not being depreciated	25,000	1,098,511	1,704,794
Capital assets, net of accumulated depreciation	1,013,153	2,040,764	12,469,663
Total noncurrent assets	1,038,153	4,652,455	16,843,696
<b>TOTAL ASSETS</b>	<b>1,272,105</b>	<b>4,886,105</b>	<b>17,768,504</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	14,334	7,966	148,754
Accrued interest payable	-	50,205	117,144
Accrued wages	-	1,624	3,846
Other accrued liabilities	6,045	124	294
Due to other governmental units - local	-	87,068	-
Deferred revenue	7,323	-	100,574
Current portion of accrued vacation and sick pay	15,198	3,491	4,121
Current portion of long-term debt	-	24,500	415,000
Total current liabilities	42,900	174,978	789,733
Noncurrent liabilities			
Customer deposits payable	-	-	63,440
Accrued vacation and sick pay	45,596	10,472	12,362
Advance from State	14,276	-	-
Bonds payable	-	3,733,500	12,210,000
Total noncurrent liabilities	59,872	3,743,972	12,285,802
<b>TOTAL LIABILITIES</b>	<b>102,772</b>	<b>3,918,950</b>	<b>13,075,535</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,038,153	588,377	2,756,559
Restricted for debt service	-	-	822,623
Restricted for capital projects	-	1,207,103	1,207,103
Unrestricted	131,180	(828,325)	(93,316)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,169,333</b>	<b>\$ 967,155</b>	<b>\$ 4,692,969</b>

See accompanying notes to financial statements.



Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 150	\$ 41,934	\$ 136,475
-	1,096,112	33,794
-	5,448	-
-	199,654	-
-	22,304	-
-	1,428	-
-	25,680	-
150	1,392,560	170,269
-	939,767	-
-	15,000	-
-	3,227,652	-
46,893	2,875,198	-
347,153	15,870,733	645,402
394,046	22,928,350	645,402
394,196	24,320,910	815,671
7,856	178,910	13,367
-	167,349	5,530
1,013	6,483	923
78	6,541	71
-	87,068	-
-	107,897	-
-	22,810	2,580
-	439,500	78,533
8,947	1,016,558	101,004
-	63,440	-
-	68,430	7,739
-	14,276	-
-	15,943,500	114,833
-0-	16,089,646	122,572
8,947	17,106,204	223,576
394,046	4,777,135	452,036
-	822,623	-
-	2,414,206	-
(8,797)	(799,258)	140,059
\$ 385,249	\$ 7,214,706	\$ 592,095

City of Ionia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS

Year Ended June 30, 2005

	Business-type		
	Dial-A-Ride	Sewer	Water
OPERATING REVENUES			
Charges for services	\$ 110,362	\$1,591,209	\$ 1,194,866
Equipment rental	-	-	-
TOTAL OPERATING REVENUES	110,362	1,591,209	1,194,866
OPERATING EXPENSES			
Administrative	123,486	109,757	221,583
Operations	434,756	65,253	79,084
Well field	-	-	244,344
Treatment plant	-	954,240	-
Maintenance	40,778	88,722	101,232
Maintenance on hydrants	-	-	19,896
Depreciation	161,765	53,501	430,141
TOTAL OPERATING EXPENSES	760,785	1,271,473	1,096,280
OPERATING INCOME (LOSS)	(650,423)	319,736	98,586
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	5,207	22,655	39,343
Taxes	67,356	-	-
Intergovernmental			
Federal	212,667	-	-
State	282,697	322,892	482,165
Local	22,500	-	29,292
Other revenue	1,000	9,635	467,289
Contribution to local unit	-	(494,616)	-
Interest expense	-	(102,462)	(569,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	591,427	(241,896)	448,800
NET INCOME (LOSS) BEFORE TRANSFERS	(58,996)	77,840	547,386
TRANSFERS IN (OUT)			
Transfers in from other funds	-	-	43,938
Transfers out to other funds	-	(86,866)	(49,107)
TOTAL TRANSFERS IN (OUT)	-0-	(86,866)	(5,169)
NET INCOME (LOSS)	(58,996)	(9,026)	542,217
Net assets, beginning of year	1,260,264	976,181	4,150,752
Prior period adjustments	(31,935)	-	-
Net assets, end of year	\$1,169,333	\$ 967,155	\$ 4,692,969

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 214,410	\$ 3,110,847	\$ 489,391
-	-0-	372,696
214,410	3,110,847	862,087
-	454,826	76,305
218,045	797,138	669,563
-	244,344	-
-	954,240	-
-	230,732	-
-	19,896	-
38,272	683,679	112,223
256,317	3,384,855	858,091
(41,907)	(274,008)	3,996
77	67,282	2,648
-	67,356	-
-	212,667	-
-	1,087,754	-
-	51,792	-
4,544	482,468	1,773
-	(494,616)	-
-	(671,751)	(10,165)
4,621	802,952	(5,744)
(37,286)	528,944	(1,748)
-	43,938	-
-	(135,973)	(28,611)
-0-	(92,035)	(28,611)
(37,286)	436,909	(30,359)
422,535	6,809,732	622,454
-	(31,935)	-
<u>\$ 385,249</u>	<u>\$ 7,214,706</u>	<u>\$ 592,095</u>

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2005

	Business-type		
	Dial-A-Ride	Sewer	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 103,999	\$ 1,565,263	\$ 580,799
Cash paid to suppliers	(337,481)	(1,696,995)	(682,736)
Cash paid for employee benefits	-	(34,232)	(41,744)
Cash paid to employees	(270,130)	(52,017)	(89,453)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(503,612)	(217,981)	(233,134)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Other nonoperating revenues	1,000	9,635	467,289
Taxes	67,610	-	-
Intergovernmental sources	394,777	322,892	511,457
Transfers out	-	(86,866)	(49,107)
Transfers in	-	-	43,938
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	463,387	245,661	973,577
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital purchases	(106,076)	(1,002,153)	(1,505,474)
Interest expense	-	(102,462)	(569,289)
Bond proceeds	-	1,665,000	1,665,000
Contribution to local unit	-	(494,616)	-
Capital grants	123,788	-	-
Principal payments	-	(24,500)	(415,000)
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	17,712	41,269	(824,763)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of investments	-	-	102,004
Interest revenue	5,207	22,655	39,343
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	5,207	22,655	141,347
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(17,306)	91,604	57,027
Cash and cash equivalents, beginning of year	215,845	(122,631)	757,012
Cash and cash equivalents, end of year	<u>\$ 198,539</u>	<u>\$ (31,027)</u>	<u>\$ 814,039</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 214,410	\$ 2,464,471	\$ 863,841
(171,061)	(2,888,273)	(194,621)
(3,997)	(79,973)	(38,551)
(43,020)	(454,620)	(513,671)
(3,668)	(958,395)	116,998
4,544	482,468	1,773
-	67,610	-
-	1,229,126	-
-	(135,973)	(28,611)
-	43,938	-
4,544	1,687,169	(26,838)
(16,624)	(2,630,327)	(1,001)
-	(671,751)	(10,165)
-	3,330,000	-
-	(494,616)	-
-	123,788	-
-	(439,500)	(75,132)
(16,624)	(782,406)	(86,298)
-	102,004	-
77	67,282	2,648
77	169,286	2,648
(15,671)	115,654	6,510
15,821	866,047	129,965
\$ 150	\$ 981,701	\$ 136,475

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended June 30, 2005

	Business-type		
	Dial-A-Ride	Sewer	Water
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (650,423)	\$ 319,736	\$ 98,586
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	161,765	53,501	430,141
(Increase) decrease in receivables	(6,109)	68,177	(414,529)
(Increase) decrease in due from other funds	-	(94,123)	(199,408)
(Increase) in due from other governmental units	-	-	-
(Increase) in prepaid expenses	(972)	-	-
(Increase) in inventory	-	-	(2,578)
(Increase) in deposits with County	-	(550,203)	(149,265)
Increase (decrease) in accounts payable	(6,541)	(722)	108,908
Increase (decrease) in accrued interest payable	-	19,177	47,723
(Decrease) in due to other funds	-	(92,519)	(154,198)
Increase (decrease) in accrued wages	-	(197)	921
Increase (decrease) in accrued liabilities	(1,078)	236	695
Increase in due to other governmental units	-	58,956	-
(Decrease) in deferred revenue	(254)	-	-
(Decrease) in customer deposits	-	-	(130)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (503,612)</u>	<u>\$ (217,981)</u>	<u>\$ (233,134)</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ (41,907)	\$ (274,008)	\$ 3,996
38,272	683,679	112,223
-	(352,461)	1,754
-	(293,531)	-
-	-0-	-
-	(972)	-
-	(2,578)	-
-	(699,468)	-
(187)	101,458	4,412
-	66,900	(1,869)
-	(246,717)	-
143	867	(18)
11	(136)	(3,500)
-	58,956	-
-	(254)	-
-	(130)	-
<u>\$ (3,668)</u>	<u>\$ (958,395)</u>	<u>\$ 116,998</u>

City of Ionia

STATEMENT OF NET ASSETS - FIDUCIARY FUND

June 30, 2005

	Current Tax Collection Fund
ASSETS	
Cash	<u>\$ 8,115</u>
LIABILITIES	
Due to component units	
Downtown Development Authority	\$ 758
Due to other governmental units	
State	41
County	139
Schools	195
Undistributed taxes	<u>6,982</u>
TOTAL LIABILITIES	<u>\$ 8,115</u>

See accompanying notes to financial statements.



City of Ionia

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ (527,736)	\$ 1,982	\$ (525,754)
Receivables	9,965	9,357	19,322
Due from other governmental units	759	-	759
Total current assets	(517,012)	11,339	(505,673)
Noncurrent assets			
Capital assets not being depreciated	375,256	-	375,256
TOTAL ASSETS	(141,756)	11,339	(130,417)
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	524	-	524
Accrued interest payable	64,333	-	64,333
Due to other governmental units	-	47	47
Current portion of long-term debt	720,000	-	720,000
Total current liabilities	784,857	47	784,904
Noncurrent liabilities			
Noncurrent portion of long-term debt	5,010,000	697,769	5,707,769
TOTAL LIABILITIES	5,794,857	697,816	6,492,673
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(5,354,744)	-	(5,354,744)
Unrestricted	(581,869)	(686,477)	(1,268,346)
TOTAL NET ASSETS	\$ (5,936,613)	\$ (686,477)	\$ (6,623,090)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 536,977	\$ 34,965	\$ 571,942
General Revenues			
Property taxes	1,335,230	16,310	1,351,540
Interest	-	229	229
Miscellaneous	1,800,204	-	1,800,204
TOTAL GENERAL REVENUES	3,135,434	16,539	3,151,973
CHANGE IN NET ASSETS	2,598,457	(18,426)	2,580,031
Net assets, beginning of the year	(8,535,070)	(668,051)	(9,203,121)
Net assets, end of the year	<u>\$ (5,936,613)</u>	<u>\$ (686,477)</u>	<u>\$ (6,623,090)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ionia is located in Ionia County, Michigan and has a population of approximately 10,000. The City of Ionia operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has eight (8) City Council members who are elected at large for overlapping four (4) year terms, and a Mayor and City Clerk who are elected at large for four (4) year terms. The Council appoints the City Manager, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Ionia (primary government) and the Downtown Development Authority and Local Development Finance Authority (component units).

The component unit columns in the basic financial statements include the financial data of the City's component units (Downtown Development Authority and Local Development Finance Authority). They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Downtown Development Authority and Local Development Finance Authority are appointed by the City Council, their budgets are subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authorities (tax increment revenues), and the City has pledged its full faith and credit towards payment of the Component Units' debt.

The financial statements of the Ionia Building Authority have been blended with the City's Debt Service and Capital Projects Funds.

Based upon the application of these criteria, the basic financial statements of the City of Ionia contain all the funds and account groups controlled by the City Council.

**2. Joint Venture**

The City participates in the following activity, which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Ionia Area Sewage Disposal System - The City of Ionia, along with the Townships of Easton, Ionia, Berlin, and Orange have entered into an agreement with the County of Ionia, which created the Ionia Area Sewage Disposal System (SDS). The purpose of the SDS is to construct, improve, enlarge, extend, operate, and maintain all sanitary sewers, storm sewers, combined sanitary and storm sewers, plants, and works used in connection with the collection, treatment, or disposal of sewage for the benefit of the constituent municipalities.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED****2. Joint Venture - continued**

The City of Ionia operates, administers, and maintains the SDS on behalf of the County and Townships. The annual budget of the SDS is prepared by the City and adopted by City Council. The proposed budget and allocation of costs are submitted to the County and Townships at least sixty (60) days prior to the beginning of each fiscal year. The Townships have thirty (30) days to advise the City of any objections to the proposed budget and allocations. Objections that cannot be resolved are brought before a review board consisting of one (1) appointed member from each constituent municipality and the County Board of Public Works. All actions of the review board are made by a majority vote.

The allocation of costs of the SDS to the constituent municipalities is based on usage of the system as measured by billable flow. During 1996, the City began to directly bill Ionia Township SDS customers. As a result, the City's allocation of costs includes the portion of costs that had been charged to Ionia Township in the past. On December 1, 2001, the City began to directly bill Easton Township SDS customers for operating costs and fixed asset reserves. As a result, the City's allocation of costs includes a portion of costs that would have been charged to Easton Township in the past. The Township continues to make contributions to SDS to fund their portion of the debt service requirements. For the year ended June 30, 2005, the City contributed \$954,240 to cover the City's and Townships' share of operational costs and \$512,294 to cover the City's and Townships' share of principal and interest portions of long-term debt issued by the County for the benefit of the SDS.

Funding of operating costs and the capital asset reserve as based on annual participant usage is currently as follows:

City of Ionia	92.12%
Ionia Township	4.97%
Berlin Township	2.91%

Funding of debt service as based on annual participant usage is currently as follows:

City of Ionia	89.05%
Ionia Township	4.97%
Berlin Township	2.91%
Easton Township	3.07%

The City has not recorded an asset in the Enterprise Fund Type related to SDS due to not having documented an "equity interest" in SDS for accounting purposes. To document an "equity interest", the City would need to document an explicit, measurable right to the net resources of SDS.

The financial activities of the SDS are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2005 are available at the City's administrative offices. The following financial information is a summary of the activity for the year ended June 30, 2005:

Total assets	\$ 12,295,453
Total liabilities	4,307,190
Total net assets	7,988,263
Total operating revenue	1,005,956
Total nonoperating revenues	574,201
Total operating expenses	1,269,772
Total nonoperating expenses	210,163
Change in net assets	100,222

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Grant Projects Fund is used to account for grant funded capital projects.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Dial-A-Ride Fund is used to account for the operations to provide public transportation services to residents of the City of Ionia and the greater Ionia area.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Department heads present proposed departmental operating expenditure budgets to the City Manager for the fiscal year commencing the following July 1.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting - continued

- b. The City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- c. A Public Hearing is conducted to obtain taxpayers' comments.
- d. Prior to July 1, the budget is legally enacted through passage of resolution.
- e. The budget is legally adopted at the total expenditure level for all funds; however, they are maintained at the account level for control purposes. The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

7. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value.

8. Property Tax

The City of Ionia bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Ionia on July 1 and December 1 and are payable without penalty through July 31 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments, and school taxes. The December 1 levy is composed of County and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Tax Account Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by ordinance to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2005, the City levied 3.0000 mills per \$1,000 of taxable valuation for general governmental services. In addition, the City levied 1.75 mills for environmental clean-up debt service, 2.0000 mills for Public Safety, and .7492 mills for Dial-A-Ride services.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections and refunds made within 60 days after year-end that relate to the prior years.

In 1994, the residents of the City voted for an income tax in an effort to reduce the millage levied for property taxes. As a result, the millage levied for governmental services was reduced significantly down to 3.0000 mills.

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Enterprise Funds consist of operating materials and supplies, which are stated at cost on a first-in/first-out basis.

11. Accrued Vacation and Sick Leave

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with more than one (1) year of service is paid for accumulated vacation days, with certain groups of employees only being able to accumulate up to the equivalent of twenty-one (21) days of vacation. Upon termination employees with more than six (6) months of service are paid for one-half of accumulated sick leave, not to exceed 480 hours.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

12. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers.

The Internal Service Fund (Central Garage) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

13. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land and improvements, buildings and improvements, equipment, vehicles, and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**13. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

16. Federal Programs

Federal programs are accounted for in the General, Capital Projects, and Enterprise Funds. The City was required to have a Single Audit under OMB Circular A-133 because expenditures of Federal award programs administered by the City exceeded the necessary threshold. The single audit reports are issued under separate cover.

**NOTE B: POOLING OF CASH AND CASH EQUIVALENTS**

The City's governmental funds balance sheet and statement of net assets reflect cash and cash equivalents with a negative balance. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the City's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as assets as of June 30, 2005, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
<b>PRIMARY GOVERNMENT</b>			
Special Revenue Funds			
Major Streets	\$( 61,108 )	\$ -	\$( 61,108 )
Local Streets	( 23,497 )	-	( 23,497 )
Debt Service Fund			
Skyview/Gregmark	( 1,283 )	1,341	58

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: POOLING OF CASH AND CASH EQUIVALENTS - CONTINUED**

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT - CONTINUED			
Capital Projects Funds			
Grant Projects	\$( 45,039 )	\$ 20,000	\$( 25,039 )
Environmental Bond Issue	( 302,680 )	11	( 302,669 )
Enterprise Funds			
Sewer	( 31,027 )	-	( 31,027 )
Water	( 125,728 )	-	( 125,728 )
Theater	( 6,801 )	6,951	150
COMPONENT UNIT			
Downtown Development Authority	( 527,736 )	-	( 527,736 )

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2005, the carrying amounts and bank balance for each type of account as reported in the cash, cash equivalents, and investments caption in the basic financial statements are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$( 201,085 )	\$ 119,426
Savings and money markets	166,971	166,971
Certificates of deposit	<u>117,840</u>	<u>117,840</u>
	<u>\$ 83,726</u>	<u>\$ 404,237</u>

The cash and cash equivalents reported in the basic financial statements include \$950 in imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2005, the City accounts were insured by the FDIC and NCUA for \$324,370 and the amount of \$79,867 was uninsured and uncollateralized.

Investments

As of June 30, 2005, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment	<u>\$ 838,623</u>	<u>\$ 838,623</u>	< 12 months average

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, the City's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2005.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 486,171	\$( 525,754 )	\$ 8,115	\$( 31,468 )
Cash and cash equivalents - restricted	939,767	-	-	939,767
Investment - restricted	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>\$ 1,440,938</u>	<u>\$( 525,754 )</u>	<u>\$ 8,115</u>	<u>\$ 923,299</u>

The amounts identified above include Enterprise Fund restricted cash and investments of \$939,767 and \$15,000, respectively, as of June 30, 2005, to be used to fund Water System and Sewer System improvements and bond and interest redemption.

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details primary government interfund receivables and payables at June 30, 2005:

Due to General Fund from:	
Nonmajor governmental funds	\$ 19
Due to Sewer Fund from:	
Grant Projects Fund	246
Due to Nonmajor Governmental Funds from:	
General Fund	1,150
Due to Water Fund from:	
General Fund	185,900
Grant Projects Fund	<u>13,508</u>
	<u>199,408</u>
	<u>\$ 200,823</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds and component units have been eliminated.

Transfers to General Fund from:		
Nonmajor governmental fund	\$	4,947
Sewer Fund		9,271
Water Fund		<u>15,451</u>
		29,669
Transfers to nonmajor governmental funds from:		
General Fund		507,665
Nonmajor governmental funds		34,072
Sewer Fund		33,657
Water Fund		33,656
Internal service fund		<u>28,611</u>
		637,661
Transfers to Water Fund from:		
Sewer Fund		<u>43,938</u>
	\$	<u>711,268</u>

The difference of \$1,411,230 is due to the Enterprise Funds' recording transfers to the Grants Project Fund for purposes of funding capital projects as construction in progress or capital assets.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

**Primary Government**

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 350,370	\$ -	\$ 112,000	\$ 238,370
Construction in progress	<u>1,806,561</u>	<u>-</u>	<u>1,806,561</u>	<u>-0-</u>
Subtotal	2,156,931	-0-	1,918,561	238,370

## City of Ionia

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: CAPITAL ASSETS - CONTINUED****Primary Government - continued**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Governmental activities - continued</b>				
Capital assets being depreciated				
Land improvements	\$ 1,979,155	\$ 207,609	\$( 113,665 )	\$ 2,073,099
Buildings	1,359,274	-	( 171,796 )	1,187,478
Vehicles	3,334,464	71,471	( 30,201 )	3,375,734
Furniture and equipment	2,244,420	230,491	( 146,941 )	2,327,970
Collections	581,599	-	( 581,599 )	-0-
Infrastructure	<u>9,186,592</u>	<u>2,540,595</u>	<u>-</u>	<u>11,727,187</u>
Subtotal	18,685,504	3,050,166	( 1,044,202 )	20,691,468
Accumulated depreciation				
Land improvements	( 667,862 )	( 106,402 )	-	( 774,264 )
Buildings	( 285,888 )	( 44,564 )	32,956	( 297,496 )
Vehicles	( 1,975,688 )	( 256,554 )	24,691	( 2,207,551 )
Furniture and equipment	( 759,074 )	( 113,591 )	93,086	( 779,579 )
Collections	( 66,572 )	-	66,572	-0-
Infrastructure	<u>( 2,659,275 )</u>	<u>( 565,366 )</u>	<u>-</u>	<u>( 3,224,641 )</u>
Subtotal	<u>( 6,414,359 )</u>	<u>( 1,086,477 )</u>	<u>217,305</u>	<u>( 7,283,531 )</u>
Net capital assets being depreciated	<u>12,271,145</u>	<u>1,963,689</u>	<u>( 826,897 )</u>	<u>13,407,937</u>
Total net capital assets	<u>\$ 14,428,076</u>	<u>\$ 1,963,689</u>	<u>\$( 2,745,458 )</u>	<u>\$ 13,646,307</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 142,064
Public safety	244,095
Public works	579,207
Recreation and cultural	<u>121,111</u>
Total Depreciation Expense	<u>\$ 1,086,477</u>

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 658,566	\$ 1,411,234	\$ 413,782	\$ 1,656,018
Land	<u>303,385</u>	<u>915,795</u>	<u>-</u>	<u>1,219,180</u>
Subtotal	961,951	2,327,029	413,782	2,875,198

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Business-type activities - continued</b>				
Capital assets being depreciated				
Land improvements	\$ 8,565	\$ -	\$ -	\$ 8,565
Structures and improvements	16,462,062	481,789	-	16,943,851
Machinery, furniture, and equipment	5,357,232	235,292	-	5,592,524
Vehicles	769,146	-	-	769,146
Subtotal	22,597,005	717,081	-0-	23,314,086
Less accumulated depreciation				
Land improvements	( 6,762 )	( 190 )	-	( 6,952 )
Structures and improvements	( 2,970,686 )	( 406,165 )	-	( 3,376,851 )
Machinery, furniture, and equipment	( 3,269,174 )	( 172,368 )	-	( 3,441,542 )
Vehicles	( 513,051 )	( 104,957 )	-	( 618,008 )
Subtotal	( 6,759,673 )	( 683,680 )	-0-	( 7,443,353 )
Net capital assets being depreciated	15,837,332	33,401	-0-	15,870,733
Total net capital assets	\$ 16,799,283	\$ 2,360,430	\$ 413,782	\$ 18,745,931
<b>Component Units</b>				
Capital Assets Not Being Depreciated				
Land	\$ 375,256	\$ -0-	\$ -0-	\$ 375,256

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2005.

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Environmental Bonds	\$ 725,000	\$ -	\$ 35,000	\$ 690,000	\$ 35,000
Building Authority Bonds	210,000	-	50,000	160,000	50,000
Building Authority Bonds - 2001	925,000	-	25,000	900,000	25,000
General Obligation Tax Bonds - 2002	220,000	-	50,000	170,000	55,000
Transportation Bonds	750,000	-	50,000	700,000	50,000
Special Assessment Bonds	700,000	-	100,000	600,000	100,000
Streetlight project loan	88,185	-	28,223	59,962	29,705
Public safety vehicles loan	31,878	-	31,878	-0-	-
Capital leases	2,689	-	2,689	-0-	-
Equipment Notes	743,436	63,645	78,975	728,106	108,569
Accumulated vacation and sick	498,474	-	61,973	436,501	109,125
	4,894,662	63,645	513,738	4,444,569	562,399

## City of Ionia

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2005</u>	Amounts Due Within <u>One Year</u>
<b>PRIMARY GOVERNMENT - CONTINUED</b>					
Water Fund					
1999 Water Supply Revenue Refunding Bonds	\$ 7,000,000	\$ -	\$ 350,000	\$ 6,650,000	\$ 350,000
2001 Water and Sewer Improvement Bonds	2,275,000	-	65,000	2,210,000	65,000
2004 Water and Sewer Improvement Bonds	2,100,000	-	-	2,100,000	-
2005 Water and Sewer Improvement Bonds	-	1,665,000	-	1,665,000	-
Accumulated vacation and sick	15,858	625	-	16,483	4,121
Sewer Fund					
2001 Water and Sewer Improvement Bonds	857,500	-	24,500	833,000	24,500
2004 Water and Sewer Improvement Bond	1,260,000	-	-	1,260,000	-
2005 Water and Sewer Improvement Bonds	-	1,665,000	-	1,665,000	-
Accumulated vacation and sick	<u>13,712</u>	<u>251</u>	<u>-</u>	<u>13,963</u>	<u>3,491</u>
	13,522,070	3,330,876	439,500	16,413,446	447,112
Internal Service Fund					
Central Garage					
1999 Basin truck loan	67,693	-	26,057	41,636	27,389
2003 Dump truck loan	28,312	-	13,887	14,425	14,425
2003 Street sweeper loan	103,077	-	18,839	84,238	19,721
2004 Dump truck loan	69,416	-	16,349	53,067	16,998
Accumulated vacation and sick	<u>13,818</u>	<u>-</u>	<u>3,499</u>	<u>10,319</u>	<u>2,580</u>
	<u>282,316</u>	<u>-0-</u>	<u>78,631</u>	<u>203,685</u>	<u>81,113</u>
TOTAL PRIMARY GOVERNMENT	18,699,048	3,394,521	1,031,869	21,061,700	1,090,624
<b>COMPONENT UNITS</b>					
Downtown Development Authority					
1994 General Obligation Bonds	225,000	-	225,000	-0-	-
1997 General Obligation Refunding Bonds	2,620,000	-	415,000	2,205,000	415,000
1998 General Obligation Refunding Bonds	3,580,000	-	55,000	3,525,000	295,000
1999 CDBG Loan Program	<u>1,800,205</u>	<u>-</u>	<u>1,800,205</u>	<u>-0-</u>	<u>-</u>
	8,225,205	-0-	2,495,205	5,730,000	710,000
Local Development Finance Authority					
SDS loan payable	<u>674,131</u>	<u>34,064</u>	<u>10,426</u>	<u>697,769</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>8,899,336</u>	<u>34,064</u>	<u>2,745,631</u>	<u>6,427,769</u>	<u>710,000</u>
TOTAL REPORTING ENTITY	<u>\$27,598,384</u>	<u>\$ 3,428,585</u>	<u>\$ 3,537,500</u>	<u>\$27,489,469</u>	<u>\$ 1,800,624</u>



## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**General Obligation Bonds

\$975,000 1990 Unlimited Tax General Obligation Environmental Bonds dated December 1, 1990, due in annual installments ranging from \$35,000 to \$85,000 through April 1, 2017, with interest at 6.75 percent, payable semi-annually.	\$ 690,000
\$600,000 1992 Limited Tax Obligation Building Authority Bonds dated August 1, 1992, due in annual installments ranging from \$50,000 to \$55,000 through October 1, 2007, with interest ranging from 6.00 to 6.25 percent, payable semi-annually.	160,000
\$950,000 2001 Limited Tax Obligation Building Authority Bonds dated June 1, 2001, due in annual installments ranging from \$25,000 to \$100,000 through August 1, 2020, with interest ranging from 5.00 to 8.00 percent, payable semi-annually.	900,000
\$900,000 2001 Limited Tax Obligation Transportation Bonds dated May 1, 2001, due in annual installments ranging from \$50,000 to \$75,000 through August 1, 2015, with interest ranging from 3.70 to 5.00 percent, payable semi-annually.	700,000
\$265,000 2002 Limited Tax Obligation Bonds dated June 25, 2002, due in annual installments ranging from \$45,000 to \$60,000 through September 1, 2007, with interest ranging from 3.00 to 3.60 percent, payable semi-annually.	170,000
\$4,200,000 2004 Water and Sewer Improvement Bonds dated April 28, 2005, due in annual installments ranging from \$60,000 to \$240,000 through February 1, 2019, with interest ranging from 3.00 to 4.60 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 20 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$2,100,000 and \$1,260,000, respectively.	3,360,000
\$3,700,000 2005 Limited Tax Obligation Bonds dated May 1, 2005, due in annual installments ranging from \$25,000 to \$275,000 through August 1, 2029, with interest ranging from 3.50 to 4.50 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$1,665,000 and \$1,665,000, respectively.	<u>3,330,000</u>
	<u>\$ 9,310,000</u>

Special Assessment Limited Tax Bonds Payable

\$1,310,000 1995 Public Improvement Special Assessment Bonds dated October 1, 1995, due in annual installments of \$100,000 through October 1, 2010, with interest ranging from 4.90 to 5.75 percent, payable semi-annually.	<u>\$ 600,000</u>
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Water and Sewer Supply System Revenue Bonds

\$8,400,000 1999 Water Supply Water System Refunding Bonds dated August 19, 1999, due in annual installments ranging from \$350,000 to \$650,000 through July 1, 2018, with interest ranging from 4.50 to 6.50 percent, payable semi-annually.	\$ 6,650,000
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## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**Water and Sewer Supply System Revenue Bonds

\$3,600,000 2002 Water and Sewer Improvement Bonds dated August 1, 2001, due in annual installments ranging from \$44,750 to \$268,500 through August 1, 2020, with interest ranging from 4 to 5 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10.5 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds at \$2,307,500 and \$869,750, respectively.

\$ 3,043,000

\$ 9,693,000Municipal Purchase Contracts

The following loans are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

\$250,000 Streetlight Project Loan dated January 17, 1997, due in semi-annual installments ranging from \$13,943 to \$15,432 through January 15, 2007, with interest at 5.14 percent, payable semi-annually.

\$ 59,962

\$170,000 Sewer Basin Truck Loan dated September 24, 1999, due in semi-annual installments of \$14,559 through July 30, 2006, with interest at 5.05 percent.

41,636

\$41,627 Department of Public Works Dump Truck Loan dated April 28, 2003, due in annual installments ranging from \$14,982 to \$15,038 through May 28, 2006, with interest at 4.07 percent.

14,425

\$143,100 Department of Public Works Street Sweeper Loan dated September 4, 2002, due in annual installments ranging from \$23,662 to \$23,663 through December 1, 2008, with interest at 4.68 percent.

84,238

\$842,136 Equipment note for a purchase of a tanker truck and to pay off three (3) existing higher debt issues, the note dated August 25, 2003, due in annual installments ranging from \$103,333 to \$357,518 through October 15, 2009, with interest at 3.9 percent.

664,461

\$87,987 Department of Public Works Dump Truck Loan dated August 5, 2003, due in annual installments ranging from \$19,105 to \$19,124 through September 30, 2007, with interest at 3.97 percent.

53,607

\$63,645 Equipment note for the purchase of three (3) police cars, the note dated February 4, 2005, due in annual installments ranging from \$31,822 to \$31,823 through September 1, 2006, with interest at 3.45 percent.

63,645\$ 981,974

## COMPONENT UNITS

General Obligation Bonds

\$4,005,000 1997 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated May 15, 1997, due in annual installments ranging from \$415,000 to \$460,000 through May 1, 2010, with interest ranging from 5.40 to 5.90 percent, payable semi-annually.

\$ 2,205,000

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED**General Obligation Bonds - continued

\$3,835,000 1998 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated November 24, 1998, due in annual installments ranging from \$55,000 to \$425,000 through November 1, 2014, with interest ranging from 3.85 to 4.35 percent payable semi-annually.

\$ 3,525,000

\$ 5,730,000

The Ionia Area Sewage Disposal System, a joint venture of which the City has an approximate equity interest of 87%, made the following loan to the Local Development Financing Authority Fund. The loan is accounted for essentially as an interfund loan within the City financial statement due to the substantial equity interest in the Sewage Disposal System. Therefore, the loan is not subject to State of Michigan, Department of Treasury approval.

\$520,000 Ionia Area Sewage Disposal System (SDS) loan due in annual principal and interest installments based on sales of Industrial Park land. The outstanding balance includes accrued interest along with the principal amounts.

\$ 697,769Accumulated Vacation and Sick

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$538,060 at June 30, 2005. Of this amount, \$91,240 and \$10,319 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

**Primary Government**

Year Ending June 30,	General Obligation and Special Assessment Bonds		Revenue Bonds		Installment Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 315,000	\$ 413,230	\$ 439,500	\$ 458,423	\$ 216,955	\$ 38,480
2007	325,000	430,709	489,500	434,193	194,826	31,127
2008	412,500	412,064	534,250	409,718	122,968	23,132
2009	350,000	393,208	584,250	384,349	108,519	18,476
2010	377,500	382,131	584,250	378,979	338,706	13,653
2011-2015	1,915,000	1,606,251	3,659,500	1,307,846	-	-
2016-2020	1,910,000	1,152,729	3,133,250	416,159	-	-
2021-2025	1,957,500	744,876	268,500	12,620	-	-
2026-2030	<u>2,347,500</u>	<u>270,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,910,000</u>	<u>\$ 5,805,684</u>	<u>\$ 9,693,000</u>	<u>\$ 3,802,287</u>	<u>\$ 981,974</u>	<u>\$ 124,868</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE G: LONG-TERM DEBT - CONTINUED****Component Unit**

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 710,000	\$ 265,851
2007	715,000	231,399
2008	775,000	196,193
2009	785,000	157,092
2010	815,000	102,524
2011-2015	<u>1,930,000</u>	<u>230,597</u>
	<u>\$ 5,730,000</u>	<u>\$ 1,183,656</u>

Because the SDS loan to the Local Development Finance Authority is due in installments based on sales of Industrial Park land, it was not possible to project a payment schedule for this loan. As a result, it is not included in the schedule above. The City believes that the SDS loan is eligible for repayment with tax increment financing revenues.

**Advance Refunding - Prior**

On May 15, 1997, the City defeased the portion of the 1990 G.O. Downtown Development Authority Bonds which were due and payable May 1, 2001 through May 1, 2010 and a portion of the 1991 G.O. Downtown Development Authority Bonds, which are due and payable May 1, 2001, through May 1, 2010. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 1998 Downtown Development Authority Refunding Bonds in the amount of \$4,005,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2005, bonds due and payable May 1, 2006 through May 1, 2010 for the 1990 and 1991 G.O. Downtown Development Authority Bonds in the amounts of \$255,000 and \$1,900,000, respectively, are considered defeased.

On November 24, 1998, the City defeased a portion of the 1994 G.O. Downtown Development Authority Bonds, which are due and payable November 1, 2005 through November 1, 2014. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation Downtown Development Authority Refunding bonds in the amount of \$3,835,000 to provide resources to fund the escrow amounts and pay the costs of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2005, bonds due and payable November 1, 2005 through November 1, 2014 for the 1994 G.O. Downtown Development Authority bonds in the amount of \$3,235,000 are considered defeased.

**NOTE H: RETIREMENT PLAN****Plan Description**

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE H: RETIREMENT PLAN - CONTINUED**Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2005 the City's annual pension cost of \$512,143 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 4,083,431	\$ 4,585,285	\$ 5,042,734
Actuarial accrued liability (AAL) (entry age)	9,019,296	10,135,174	10,566,124
Unfunded AAL	4,935,865	5,549,889	5,523,370
Funded ratio	46 %	45 %	48 %
Covered payroll	2,793,784	2,561,484	2,445,789
UAAL as a percentage of covered payroll	177 %	217 %	226 %

  

	Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 462,206	\$ 558,262	\$ 512,143
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2002, 2003, and 2004.

**NOTE I: DEFERRED COMPENSATION PLAN**

The City of Ionia offers its employees a choice of one (1) of three (3) deferred compensation plans. The plans sponsored by the ICMA Retirement Corporation, Nationwide Retirement Solutions, and Prudential Retirement Services were created in accordance with IRC Section #457. The plans, available to all City employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1998, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE I: DEFERRED COMPENSATION PLAN**

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. The ICMA Retirement Corporation and Public Employees Benefit Services Corporation have elected to implement compliance with the new requirement effective January 1, 1998. The plans assets previously maintained in an Agency Fund are no longer reported by the City because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

**NOTE J: RISK MANAGEMENT**

The City carries commercial insurance for the risk of loss due to workers' compensation claims.

The City also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE K: FUND EQUITY RESERVES**

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balances as of June 30, 2005:

Fund Balances

## Special Revenue Funds

## Sick Pay Reserve

Reserved for sick pay expenditures	\$	344
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## Debt Service Funds

## Skyview/Gregmark

Reserved for debt service		58
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## Ionia Building Authority

Reserved for debt service		5,722
---------------------------	--	-------

## Sidewalk Bonds

Reserved for debt service		629
---------------------------	--	-----

		6,409
--	--	-------

## Capital Project Funds

## Grant Projects

Reserved for grant activity		28,633
-----------------------------	--	--------

	\$	<u>35,386</u>
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## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE L: CONTINGENT LIABILITIES**

The City is a responsible party with respect to clean-up costs at the Cleveland Street Dump Site. The City is party to a Federal Consent Decree entered with the District Court during the fiscal year ended June 30, 2002. The terms of the Consent Decree limit the City's liability to a share of the clean-up costs associated with existing contamination as of the date of the decree. The City has received reimbursement for one half of the costs related to clean up of this site through the Clean Michigan Initiative (CMI) through February 28, 2005, however a reasonable estimate of the City's remaining potential liability cannot be determined at this time.

There is other legal action pending against the City. Due to the inconclusive nature of the action, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. This potential liability, if any, is considered by City Management and legal counsel to be immaterial or the potential liability would be covered by insurance.

**NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules included as required supplementary information to the financial statements, the City's budgeted expenditures in the General has been shown at the functional classification level. The approved budgets of the City have been adopted at the total expenditure level for the General and Special Revenue Funds.

During the year ended June 30, 2005, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund	\$ 4,425,849	\$ 4,585,001	\$ 159,152

**NOTE N: FUND DEFICITS**

The following funds have fund equity deficits at June 30, 2005:

	<u>Deficit</u>
PRIMARY GOVERNMENT	
Capital Project Fund	
Environmental Bond Issue	\$ 11,387
COMPONENT UNIT FUNDS	
Downtown Development Authority	527,501

The City filed a deficit elimination plan with the State Department of Treasury for the Downtown Development Authority Fund. The State has approved that plan and the City is in compliance with the plan as of June 30, 2005.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE O: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustment was made during the year, which was the result of a correction of accounting errors. This adjustment was reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>2005</u>	<u>June 30,</u> <u>2004</u>	<u>Description</u>
BUSINESS-TYPE ACTIVITIES			
Dial-A-Ride			
Due from State	\$ -	\$( 31,935 )	Correct overstated
Change in net assets	-	( 31,935 )	due from state
Net assets - beginning	( 31,935 )	-	



## **REQUIRED SUPPLEMENTARY INFORMATION**

## City of Ionia

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES  
AND OTHER FINANCING SOURCES

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 473,924	\$ 501,592	\$ 507,480	\$ 5,888
Income taxes	1,567,051	1,612,777	1,612,773	(4)
Payments in lieu of taxes	33,433	3,000	18,087	15,087
Penalties and interest	15,539	13,158	17,622	4,464
Total taxes	2,089,947	2,130,527	2,155,962	25,435
Licenses and permits				
City licenses and permits	9,702	88,965	144,028	55,063
Inspection fees	500	1,350	1,345	(5)
Total licenses and permits	10,202	90,315	145,373	55,058
Intergovernmental				
Local	-	-	6,180	6,180
State				
Sales tax	952,670	933,475	933,472	(3)
Liquor tax	4,209	4,425	4,426	1
Federal				
Homeland security grant	25,000	188,331	188,322	(9)
CMET reimbursement	31,700	38,985	73,088	34,103
Total intergovernmental	1,013,579	1,165,216	1,205,488	40,272
Charges for services				
Fire protection	708,541	159,000	161,519	2,519
Trash pick up and recycling charges	185,180	188,680	190,043	1,363
Trash bag charges	6,000	5,175	5,175	-0-
Administration charges	326,447	308,320	314,318	5,998
Tax collection fees	45,768	52,626	54,612	1,986
Total charges for services	1,271,936	713,801	725,667	11,866
Fines and forfeits				
Parking	3,548	4,260	4,260	-0-
District court	33,869	33,771	36,392	2,621
Total fines and forfeits	37,417	38,031	40,652	2,621
Interest and rents				
Interest	2,060	5,305	5,306	1
Rents	78,564	92,475	92,476	1
Total interest and rents	80,624	97,780	97,782	2

## City of Ionia

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES  
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES - CONTINUED				
Other				
Special assessments	\$ 9,345	\$ 10,690	\$ 10,666	\$ (24)
Other	61,054	68,087	59,370	(8,717)
Other - public safety	9,738	42,806	50,890	8,084
Total other	80,137	121,583	120,926	(657)
TOTAL REVENUES	4,583,842	4,357,253	4,491,850	134,597
OTHER FINANCING SOURCES				
Proceeds from note	65,000	63,645	63,645	-0-
Transfers in	10,234	4,951	29,669	24,718
TOTAL OTHER FINANCING SOURCES	75,234	68,596	93,314	24,718
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,659,076</u>	<u>\$ 4,425,849</u>	<u>\$ 4,585,164</u>	<u>\$ 159,315</u>

## City of Ionia

## General Fund

## BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Mayor and council	\$ 24,750	\$ 23,025	\$ 23,011	\$ 14
City manager	115,363	103,961	143,033	(39,072)
Elections	6,782	8,867	8,844	23
Accounting	164,323	143,214	143,206	8
Independent audit	9,500	7,150	7,150	-0-
Income tax administration	104,145	98,401	98,378	23
Front office	68,137	68,394	68,383	11
City legal fees	34,236	25,133	22,583	2,550
Assessor	39,969	37,090	37,086	4
Grant activity	5,000	11,154	11,127	27
Board of review	725	350	350	-0-
Data processing	62,180	76,121	76,103	18
Clerk	18,268	14,852	14,772	80
Buildings and grounds	34,215	31,676	28,913	2,763
City property improvements	3,926	9,230	9,217	13
Sanitation services	185,030	192,623	192,622	1
Other offices	42,708	46,988	46,973	15
Fringe benefits	1,031,504	920,779	920,765	14
Other	33,281	16,875	16,875	-0-
Total general government	1,984,042	1,835,883	1,869,391	(33,508)
Public safety				
Building inspection	52,658	51,326	51,312	14
Public safety department	1,460,776	1,619,250	1,629,196	(9,946)
Total public safety	1,513,434	1,670,576	1,680,508	(9,932)
Public works				
Street lights	60,560	72,070	72,058	12
Health and welfare				
Ambulance	34,908	33,888	33,885	3
Community and economic development				
Planning and zoning	7,539	51,194	132,889	(81,695)
Recreation and cultural				
Festivals and events	69,106	55,432	55,419	13

## City of Ionia

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES - CONTINUED

Year Ended June 30, 2005

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Capital outlay	\$ -	\$ -	\$ 64,332	\$ (64,332)
Debt service				
Principal	233,565	233,190	140,253	92,937
Interest	-	-	28,601	(28,601)
Total debt service	233,565	233,190	168,854	64,336
TOTAL EXPENDITURES	3,903,154	3,952,233	4,077,336	(125,103)
OTHER FINANCING USES				
Operating transfers out				
Local Street Fund	59,000	87,125	146,175	(59,050)
Recreation Fund	219,776	219,776	194,776	25,000
Building Authority Fund	110,297	110,065	110,064	1
Sidewalk Program Fund	56,650	56,650	56,650	-0-
TOTAL OTHER FINANCING USES	445,723	473,616	507,665	(34,049)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,348,877</u>	<u>\$ 4,425,849</u>	<u>\$ 4,585,001</u>	<u>\$ (159,152)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of Ionia

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - BUILDING INSPECTION

Years Ended June 30, 2005 and 2004

	2005	2004
Licenses and permits		
Permits	\$ 144,028	\$ 13,879
Inspection fees	1,345	685
	<u>145,373</u>	<u>14,564</u>
TOTAL REVENUES		
Salaries and wages	46,329	44,321
Contractual services	132,207	2,118
Office supplies	734	890
Publishing	922	105
Transportation and training	4,009	5,515
	<u>184,201</u>	<u>52,949</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES		
(UNDER) EXPENDITURES	<u>\$ (38,828)</u>	<u>\$ (38,385)</u>

## City of Ionia

## Nonmajor Governmental Funds

## COMBINING BALANCE SHEET

June 30, 2005

	Major Street	Special Local Street	Library
<b>ASSETS</b>			
Cash and cash equivalents	\$ (61,108)	\$ (23,497)	\$ -
Accounts receivable	80	1,359	-
Taxes receivable	-	-	-
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units - State	71,265	25,506	-
<b>TOTAL ASSETS</b>	<u>\$ 10,237</u>	<u>\$ 3,368</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 5,523	\$ 1,130	\$ -
Accrued wages	3,359	1,757	-
Other accrued liabilities	257	134	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	9,139	3,021	-0-
<b>FUND BALANCES</b>			
Reserved for			
Sick pay expenditures	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	1,098	347	-
Capital project funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,098</u>	<u>347</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,237</u>	<u>\$ 3,368</u>	<u>\$ -0-</u>



Revenue		Debt Service	
Recreation	Sick Pay Reserve	Skyview/ Gregmark	Building Authority
\$ 52,026	\$ 344	\$ 58	\$ 5,722
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 52,026</u>	<u>\$ 344</u>	<u>\$ 58</u>	<u>\$ 5,722</u>
\$ 9,011	\$ -	\$ -	\$ -
3,690	-	-	-
282	-	-	-
-	-	-	-
-	-	-	-
12,983	-0-	-0-	-0-
-	344	-	-
-	-	58	5,722
39,043	-	-	-
-	-	-	-
<u>39,043</u>	<u>344</u>	<u>58</u>	<u>5,722</u>
<u>\$ 52,026</u>	<u>\$ 344</u>	<u>\$ 58</u>	<u>\$ 5,722</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2005

	Debt Service	Capital	
	2002 G.O. Bonds	Sidewalk Program	Building Authority
ASSETS			
Cash and cash equivalents	\$ 629	\$ 49,426	\$ 67,341
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Special assessments receivable	-	716	-
Due from other funds	-	1,150	-
Due from other governmental units - State	-	-	-
TOTAL ASSETS	<u>\$ 629</u>	<u>\$ 51,292</u>	<u>\$ 67,341</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	19	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	19	-0-
FUND BALANCES			
Reserved for			
Sick pay expenditures	-	-	-
Debt service	629	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital project funds	-	51,273	67,341
TOTAL FUND BALANCES	<u>629</u>	<u>51,273</u>	<u>67,341</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 629</u>	<u>\$ 51,292</u>	<u>\$ 67,341</u>

<u>Projects</u>	<u>Total</u>
<u>Environmental</u>	<u>Nonmajor</u>
<u>Bond Issue</u>	<u>Governmental</u>
<u>Funds</u>	
\$ (302,669)	\$ (211,728)
-	1,439
11,735	11,735
-	716
-	1,150
310,030	406,801
<u>\$ 19,096</u>	<u>\$ 210,113</u>
\$ 18,748	\$ 34,412
-	8,806
-	673
-	19
11,735	11,735
30,483	55,645
-	344
-	6,409
-	40,488
(11,387)	107,227
(11,387)	154,468
<u>\$ 19,096</u>	<u>\$ 210,113</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Major Street	Special Local Street	Library
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	545,822	160,461	-
Charges for services	-	7,019	-
Interest and rents	-	-	-
Other	37	65	-
TOTAL REVENUES	545,859	167,545	-0-
EXPENDITURES			
Public works	477,499	297,019	-
Recreation and cultural	-	-	150,609
Capital outlay	-	-	-
Debt service	33,888	50,744	-
TOTAL EXPENDITURES	511,387	347,763	150,609
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,472	(180,218)	(150,609)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	180,247	-
Transfers out	(34,072)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(34,072)	180,247	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	400	29	(150,609)
Fund balances, beginning of year	698	318	150,609
Fund balances (deficits), end of year	\$ 1,098	\$ 347	\$ -0-

Revenue		Debt Service	
Recreation	Sick Pay Reserve	Skyview/ Gregmark	Building Authority
\$ -	\$ -	\$ -	\$ -
-	-	67,313	-
60,310	-	-	-
22,003	8	-	117
4,600	-	-	-
86,913	8	67,313	117
-	-	-	-
262,048	-	-	-
-	-	-	-
-	-	134,733	138,675
262,048	-0-	134,733	138,675
(175,135)	8	(67,420)	(138,558)
194,776	-	67,313	138,675
-	-	-	-
194,776	-0-	67,313	138,675
19,641	8	(107)	117
19,402	336	165	5,605
<u>\$ 39,043</u>	<u>\$ 344</u>	<u>\$ 58</u>	<u>\$ 5,722</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2005

	Debt Service 2002 G.O. Bonds	Capital Sidewalk Program	Building Authority
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest and rents	14	1,720	1,607
Other	-	1,458	-
TOTAL REVENUES	14	3,178	1,607
EXPENDITURES			
Public works	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	10,273	-
Debt service	56,650	-	-
TOTAL EXPENDITURES	56,650	10,273	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,636)	(7,095)	1,607
OTHER FINANCING SOURCES (USES)			
Transfers in	56,650	-	-
Transfers out	-	-	(4,947)
TOTAL OTHER FINANCING SOURCES (USES)	56,650	-0-	(4,947)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	14	(7,095)	(3,340)
Fund balances , beginning of year	615	58,368	70,681
Fund balances (deficits), end of year	\$ 629	\$ 51,273	\$ 67,341

<u>Projects</u>		<u>Total</u>	
<u>Environmental</u>		<u>Nonmajor</u>	
<u>Bond Issue</u>		<u>Governmental</u>	
		<u>Funds</u>	
\$	215,310	\$	215,310
	86,520		860,116
	-		67,329
	-		25,469
	-		6,160
	<u>301,830</u>		<u>1,174,384</u>
	-		774,518
	-		412,657
	230,972		241,245
	<u>95,570</u>		<u>510,260</u>
	<u>326,542</u>		<u>1,938,680</u>
	(24,712)		(764,296)
	-		637,661
	-		<u>(39,019)</u>
	<u>-0-</u>		<u>598,642</u>
	(24,712)		(165,654)
	<u>13,325</u>		<u>320,122</u>
<u>\$</u>	<u>(11,387)</u>	<u>\$</u>	<u>154,468</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

Year Ended June 30, 2005

Major Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental				
State gas and weight tax	\$ 410,057	\$ 451,034	\$ 440,601	\$ (10,433)
Local	104,575	105,224	105,221	(3)
Other	1,000	50	37	(13)
<b>TOTAL REVENUES</b>	<b>515,632</b>	<b>556,308</b>	<b>545,859</b>	<b>(10,449)</b>
<b>EXPENDITURES</b>				
Public works				
Highways and streets				
Routine maintenance	1,906	751	747	4
Tree trimming	38,975	57,270	57,265	5
Stump removal	3,914	3,420	3,417	3
Surface/shoulder work	20,924	24,549	24,535	14
Storm sewers	20,635	22,545	22,533	12
Street sweeping	11,639	10,186	10,183	3
Street painting	628	2,953	2,953	-0-
Leaf pickup	21,599	23,630	23,630	-0-
Brush pickup	30,538	34,231	34,226	5
Guardrails and posts	129	-	-	-0-
Traffic service	15,249	29,704	29,694	10
Winter maintenance	26,782	38,087	38,078	9
Central garage contract - DDA	104,164	130,719	130,706	13
Administration	114,455	102,954	99,532	3,422
Total highways and streets	411,537	480,999	477,499	3,500
Debt service				
Principal	40,827	40,237	32,965	7,272
Interest	-	1,000	923	77
Total debt service	40,827	41,237	33,888	7,349
<b>TOTAL EXPENDITURES</b>	<b>452,364</b>	<b>522,236</b>	<b>511,387</b>	<b>10,849</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>63,268</b>	<b>34,072</b>	<b>34,472</b>	<b>400</b>



City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Major Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING USES				
Operating transfers out	\$ (63,267)	\$ (34,072)	\$ (34,072)	\$ -0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	1	-0-	400	400
Fund balance, beginning of year	698	698	698	-0-
Fund balance, end of year	<u>\$ 699</u>	<u>\$ 698</u>	<u>\$ 1,098</u>	<u>\$ 400</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

	<u>Local Street</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 152,469	\$ 163,789	\$ 157,680	\$ (6,109)
Local	2,375	6,509	2,781	(3,728)
Charges for services	5,600	7,645	7,019	(626)
Miscellaneous	200	100	65	(35)
TOTAL REVENUES	160,644	178,043	167,545	(10,498)
EXPENDITURES				
Public works				
Highways and streets				
Routine maintenance	1,112	127	124	3
Tree trimming	24,952	24,952	48,137	(23,185)
Stump removal	4,172	3,204	3,202	2
Surface/shoulder work	14,778	25,413	25,407	6
Storm sewers	23,469	23,469	28,463	(4,994)
Street sweeping	4,558	5,800	7,964	(2,164)
Street painting	697	675	674	1
Leaf pickup	23,010	27,011	27,006	5
Brush pickup	31,548	27,824	27,816	8
Guardrails and posts	124	59	59	-0-
Yard waste collection	5,320	6,218	6,213	5
Traffic service	9,620	12,250	12,244	6
Winter maintenance	23,481	23,481	39,333	(15,852)
Administration	58,871	63,107	70,377	(7,270)
Total highway and streets	225,712	243,590	297,019	(53,429)
Debt service				
Principal	49,448	49,448	49,448	-0-
Interest	7,751	7,272	1,296	5,976
Total debt service	57,199	56,720	50,744	5,976
TOTAL EXPENDITURES	282,911	300,310	347,763	(47,453)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(122,267)	(122,267)	(180,218)	(57,951)

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Local Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES				
Operating transfers in	\$ 122,267	\$ 122,267	\$ 180,247	\$ 57,980
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	29	29
Fund balance, beginning of year	318	318	318	-0-
Fund balance, end of year	<u>\$ 318</u>	<u>\$ 318</u>	<u>\$ 347</u>	<u>\$ 29</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

	<u>Library</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Recreation and cultural	-	-	150,609	(150,609)
EXCESS REVENUES (UNDER) EXPENDITURES	-0-	-0-	(150,609)	(150,609)
Fund balance, beginning of year	150,609	150,609	150,609	-0-
Fund balance, end of year	<u>\$ 150,609</u>	<u>\$ 150,609</u>	<u>\$ -0-</u>	<u>\$ (150,609)</u>

## City of Ionia

## Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Recreation

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services				
Ticket sales	\$ 12,000	\$ 4,171	\$ 4,170	\$ (1)
Activities	30,165	36,736	36,665	(71)
Special events	20,000	19,509	19,475	(34)
Rent	24,800	22,258	22,003	(255)
Other	499	4,790	4,600	(190)
<b>TOTAL REVENUES</b>	<b>87,464</b>	<b>87,464</b>	<b>86,913</b>	<b>(551)</b>
<b>EXPENDITURES</b>				
Recreation and cultural				
Administration	143,427	129,007	127,264	1,743
Special events	26,950	42,956	42,924	32
Adult activities	9,125	5,331	4,786	545
Youth activities	24,943	24,489	21,149	3,340
Armory	40,061	47,376	27,767	19,609
Park maintenance	119,149	112,896	38,158	74,738
Park grant project	-	2,500	-	2,500
<b>TOTAL EXPENDITURES</b>	<b>363,655</b>	<b>364,555</b>	<b>262,048</b>	<b>102,507</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(276,191)</b>	<b>(277,091)</b>	<b>(175,135)</b>	<b>101,956</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	276,276	276,276	194,776	(81,500)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>85</b>	<b>(815)</b>	<b>19,641</b>	<b>20,456</b>
Fund balance, beginning of year	19,402	19,402	19,402	-0-
Fund balance, end of year	<u>\$ 19,487</u>	<u>\$ 18,587</u>	<u>\$ 39,043</u>	<u>\$ 20,456</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2005

Sick Pay Reserve

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -0-	\$ -0-	\$ 8	\$ 8
EXPENDITURES				
General government	-	-	-	-0-
EXCESS REVENUES OVER EXPENDITURES	-0-	-0-	8	8
Fund balance, beginning of year	336	336	336	-0-
Fund balance, end of year	<u>\$ 336</u>	<u>\$ 336</u>	<u>\$ 352</u>	<u>\$ 16</u>

City of Ionia

Major Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

Year Ended June 30, 2005

	<u>Grant Projects</u>
REVENUES	
Intergovernmental	
Federal/State	\$ 753,236
Local	346,706
Other	<u>63,845</u>
TOTAL REVENUES	1,163,787
EXPENDITURES	
Capital outlay	
Adams Street	
Contractual service	250
Main Street resurfacing	
Contractual services	74,530
Downtown gateway project	
Contractual services	1,054,097
Supplies	33,197
Construction	<u>64,904</u>
Total downtown gateway project	1,152,198
Rice and Yoemans streets	
Contractual services	741,558
M-21 water main	
Contractual services	22,230
West Washington Street	
Contractual services	17,641
Construction	<u>212,287</u>
Total West Washington Street	229,928
Appletree Drive extension	
Construction	123,448
High and Baldie streets	
Contractual services	190,327
Construction	<u>5,154</u>
Total High and Baldie streets	195,481
M-66 utility improvements	
Contractual services	<u>8,115</u>
TOTAL EXPENDITURES	<u>2,547,738</u>

City of Ionia

Major Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - CONTINUED

Year Ended June 30, 2005

	<u>Grant Projects</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	\$ (1,383,951)
OTHER FINANCING SOURCES	
Operating transfers in	<u>1,411,230</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	27,279
Fund balance, beginning of year	<u>1,354</u>
Fund balance, end of year	<u><u>\$ 28,633</u></u>



City of Ionia

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2005

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ (527,736)
Taxes receivable	9,965
Due from other governmental units	<u>759</u>
TOTAL ASSETS	<u><u>\$ (517,012)</u></u>
LIABILITIES AND FUND DEFICIT	
LIABILITIES	
Accounts payable	\$ 524
Deferred revenue	<u>9,965</u>
TOTAL LIABILITIES	10,489
FUND DEFICIT	
Unreserved - undesignated	<u>(527,501)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u><u>\$ (517,012)</u></u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2005

**Total fund balance - governmental fund** \$ (527,501)

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 375,256

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue 9,965

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 64,333	
Loan payable	<u>5,730,000</u>	
		<u>(5,794,333)</u>

**Net assets of governmental activities** \$ (5,936,613)

City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2005

	Special Revenue
REVENUES	
Taxes	\$ 1,335,108
Other	<u>1,800,204</u>
TOTAL REVENUES	3,135,312
EXPENDITURES	
Community and economic development	
Administrative	52,785
Downtown maintenance	100,809
DDA development	10,584
Debt service	
Principal	2,495,205
Interest	<u>418,557</u>
TOTAL EXPENDITURES	<u>3,077,940</u>
EXCESS OF REVENUES OVER EXPENDITURES	57,372
Fund deficit, beginning of year	<u>(584,873)</u>
Fund deficit, end of year	<u><u>\$ (527,501)</u></u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2005

<b>Net change in fund balance - governmental fund</b>	<b>\$ 57,372</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	122
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	2,495,205
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>45,758</u>
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<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 2,598,457</u></u></b>
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City of Ionia

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2005

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 1,982
Taxes receivable	9,357
TOTAL ASSETS	<u>\$ 11,339</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	\$ 9,357
Due to other governmental units	47
TOTAL LIABILITIES	9,404
FUND BALANCE	
Unreserved - undesignated	<u>1,935</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,339</u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2005

<b>Total fund balance - governmental fund</b>	<b>\$ 1,935</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue	9,357
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Loan payable	<u>(697,769)</u>
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<b>Net assets of governmental activities</b>	<b><u><u>\$ (686,477)</u></u></b>
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City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2005

	Special Revenue
REVENUES	
Taxes	\$ 11,334
Interest	229
TOTAL REVENUES	11,563
EXPENDITURES	
Community and economic development	
Administrative	900
Debt service	
Interest and fiscal charges	10,427
TOTAL EXPENDITURES	11,327
EXCESS OF REVENUES OVER EXPENDITURES	236
Fund balance, beginning of year	1,699
Fund balance, end of year	\$ 1,935

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES -  
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2005

**Net change in fund balance - governmental fund** \$ 236

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue 4,976

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal and capital lease retirement	10,426
Change in principal balance	<u>(34,064)</u>

(23,638)

**Change in net assets of governmental activities** \$ (18,426)



City of Ionia

SCHEDULE OF DEBT OUTSTANDING

June 30, 2005

1990 Environmental Bonds

Purpose: To defray the costs of protecting and restoring the environment by cleaning up contaminated or toxic waste sites in the City of Ionia and paying for facilities and services incidental thereto.

Issue: \$ 975,000

Issue date: December 1, 1990

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
4/1/2006	6.75 %	\$ 35,000	\$ 46,576	\$ 81,576
4/1/2007	6.75	40,000	44,212	84,212
4/1/2008	6.75	40,000	41,512	81,512
4/1/2009	6.75	45,000	38,812	83,812
4/1/2010	6.75	50,000	35,776	85,776
4/1/2011	6.75	55,000	32,400	87,400
4/1/2012	6.75	60,000	28,688	88,688
4/1/2013	6.75	60,000	24,638	84,638
4/1/2014	6.75	65,000	20,588	85,588
4/1/2015	6.75	75,000	16,200	91,200
4/1/2016	6.75	80,000	11,138	91,138
4/1/2017	6.75	85,000	5,738	90,738
		<u>\$ 690,000</u>	<u>\$ 346,278</u>	<u>\$ 1,036,278</u>

2004 Equipment Note

Purpose: To purchase a tanker truck and payoff three (3) existing higher interest rate debt issues.

Issue: \$ 842,136

Issue date: August 25, 2003

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/15/2005	3.90 %	\$ 76,746	\$ 26,587	\$ 103,333
10/15/2006	3.90	79,793	23,540	103,333
10/15/2007	3.90	82,961	20,372	103,333
10/15/2008	3.90	86,255	17,078	103,333
10/15/2009	3.90	338,706	13,653	352,359
		<u>\$ 664,461</u>	<u>\$ 101,230</u>	<u>\$ 765,691</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

1992 Ionia Building Authority Bonds

Purpose: To defray the costs of acquiring, constructing, reconstructing, and equipping public safety facilities for the City of Ionia, which the Authority has leased to the City.

Issue: \$ 600,000

Issue date: August 1, 1992

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
10/1/2005	6.20 %	\$ 50,000	\$ 8,426	\$ 58,426
10/1/2006	6.25	55,000	5,157	60,157
10/1/2007	6.25	55,000	1,719	56,719
		<u>\$ 160,000</u>	<u>\$ 15,302</u>	<u>\$ 175,302</u>

1995 Public Improvement Special Assessment Bonds

Purpose: To finance the costs of water, sewer, and street improvements in certain special assessment districts in the City of Ionia in anticipation of the collection of future due installments of special assessments.

Issue: \$ 1,310,000

Issue date: October 1, 1995

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
10/1/2005	5.00 %	\$ 100,000	\$ 29,650	\$ 129,650
10/1/2006	5.20	100,000	24,550	124,550
10/1/2007	5.30	100,000	19,300	119,300
10/1/2008	5.40	100,000	13,950	113,950
10/1/2009	5.50	100,000	8,500	108,500
10/1/2010	5.75	100,000	2,875	102,875
		<u>\$ 600,000</u>	<u>\$ 98,825</u>	<u>\$ 698,825</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

1997 Streetlight Project Loan

Purpose: To finance the cost of streetlights for certain special assessment districts in the City of Ionia in anticipation of the collection of future due installments of special assessments.

Issue: \$ 250,000

Issue date: January 17, 1997

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
7/15/2005	5.14 %	\$ 14,576	\$ 1,218	\$ 15,794
1/15/2006	5.14	15,129	1,064	16,193
7/15/2006	5.14	15,432	761	16,193
1/15/2007	5.14	14,825	376	15,201
		<u>\$ 59,962</u>	<u>\$ 3,419</u>	<u>\$ 63,381</u>

1999 Water Supply Revenue Bonds

Purpose: To defray the cost of acquiring and constructing improvements to the City's Water System and to pay the cost of refunding the City's outstanding 1981 Water System Revenue Bonds.

Issue: \$ 8,400,000

Issue date: August 19, 1999

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
7/1/2006	6.50 %	\$ 350,000	\$ 321,612	\$ 671,612
7/1/2007	5.90	400,000	300,962	700,962
7/1/2008	5.00	400,000	280,962	680,962
7/1/2009	5.00	450,000	260,962	710,962
7/1/2010	5.00	450,000	238,462	688,462
7/1/2011	4.85	475,000	216,638	691,638
7/1/2012	4.90	525,000	193,362	718,362
7/1/2013	4.95	525,000	167,375	692,375
7/1/2014	5.00	550,000	141,125	691,125
7/1/2015	5.00	600,000	113,625	713,625
7/1/2016	4.50	625,000	86,625	711,625
7/1/2017	4.50	650,000	58,500	708,500
7/1/2018	4.50	650,000	29,250	679,250
		<u>\$ 6,650,000</u>	<u>\$ 2,409,460</u>	<u>\$ 9,059,460</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

1997 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1990 Downtown Development Bonds, the 1991 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 4,005,000

Issue date: May 15, 1997

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
5/1/2006	5.50 %	\$ 415,000	\$ 125,825	\$ 540,825
5/1/2007	5.60	410,000	103,000	513,000
5/1/2008	5.70	460,000	80,040	540,040
5/1/2009	5.80	460,000	53,820	513,820
5/1/2010	5.90	460,000	27,140	487,140
		<u>\$ 2,205,000</u>	<u>\$ 389,825</u>	<u>\$ 2,594,825</u>

1998 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1994 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 3,835,000

Issue date: November 24, 1998

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
11/1/2005	3.85 %	\$ 295,000	\$ 140,026	\$ 435,026
11/1/2006	3.90	305,000	128,399	433,399
11/1/2007	4.00	315,000	116,153	431,153
11/1/2008	4.05	325,000	103,272	428,272
11/1/2009	4.10	340,000	89,720	429,720
11/1/2010	4.15	355,000	75,384	430,384
11/1/2011	4.20	370,000	60,248	430,248
11/1/2012	4.25	390,000	44,190	434,190
11/1/2013	4.30	405,000	27,195	432,195
11/1/2014	4.35	425,000	9,244	434,244
		<u>\$ 3,525,000</u>	<u>\$ 793,831</u>	<u>\$ 4,318,831</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

1999 Sewer Basin Truck

Purpose: To finance the purchase a new Sewer Basin Truck for use by the City of Ionia.

Issue: \$ 170,000

Issue date: September 2, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/30/2005	5.05 %	\$ 13,524	\$ 1,035	\$ 14,559
1/30/2006	5.05	13,865	694	14,559
7/30/2006	5.05	14,247	312	14,559
		<u>\$ 41,636</u>	<u>\$ 2,041</u>	<u>\$ 43,677</u>

2004 Dump Truck Loan

Purpose: To finance the purchase of a new dump truck.

Issue: \$ 87,987

Issue date: August 5, 2004

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2005	3.97 %	\$ 16,998	\$ 2,107	\$ 19,105
9/1/2006	3.97	18,212	893	19,105
9/1/2007	3.97	18,397	708	19,105
		<u>\$ 53,607</u>	<u>\$ 3,708</u>	<u>\$ 57,315</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2001 Building Authority Bonds

Purpose: To improve enlarge, furnish, equip and maintain facilities owned and operated by the City.

Issue: \$ 950,000

Issue date: June 1, 2001

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2005	8.00 %	\$ 25,000	\$ 49,250	\$ 74,250
8/1/2006	8.00	25,000	47,250	72,250
8/1/2007	8.00	25,000	45,250	70,250
8/1/2008	8.00	50,000	42,250	92,250
8/1/2009	8.00	50,000	38,250	88,250
8/1/2010	5.00	50,000	35,000	85,000
8/1/2011	5.00	50,000	32,500	82,500
8/1/2012	5.00	50,000	30,000	80,000
8/1/2013	5.00	50,000	27,500	77,500
8/1/2014	5.00	50,000	25,000	75,000
8/1/2015	5.00	75,000	21,875	96,875
8/1/2016	5.00	75,000	18,125	93,125
8/1/2017	5.00	75,000	14,375	89,375
8/1/2018	5.00	75,000	10,625	85,625
8/1/2019	5.00	75,000	6,875	81,875
8/1/2020	5.00	100,000	2,500	102,500
		<u>\$ 900,000</u>	<u>\$ 446,625</u>	<u>\$ 1,346,625</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2001 Michigan Transportation Bonds

Purpose: To finance improvements to the streets in the City.

Issue: \$ 900,000

Issue date: May 1, 2001

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2005	3.80 %	\$ 50,000	\$ 30,262	\$ 80,262
8/1/2006	3.90	50,000	28,337	78,337
8/1/2007	4.00	50,000	26,362	76,362
8/1/2008	4.10	50,000	24,337	74,337
8/1/2009	4.25	50,000	22,250	72,250
8/1/2010	4.45	75,000	19,519	94,519
8/1/2011	4.55	75,000	16,144	91,144
8/1/2012	4.65	75,000	12,694	87,694
8/1/2013	4.75	75,000	9,169	84,169
8/1/2014	4.85	75,000	5,569	80,569
8/1/2015	5.00	75,000	1,875	76,875
		<u>\$ 700,000</u>	<u>\$ 196,518</u>	<u>\$ 896,518</u>

2002 General Obligation Limited Tax Bonds

Purpose: To pay portion of costs for improvements to Special Assessment District.

Issue: \$ 265,000

Issue date: June 25, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2005	3.000 %	\$ 55,000	\$ 2,813	\$ 57,813
3/1/2006	3.000	-	1,988	1,988
9/1/2006	3.300	55,000	1,988	56,988
3/1/2007	3.300	-	1,080	1,080
9/1/2007	3.600	60,000	1,080	61,080
		<u>\$ 170,000</u>	<u>\$ 8,949</u>	<u>\$ 178,949</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2001 Water and Sewer Improvement Bonds

Purpose: To make improvements to the Water and Sewer Systems.

Issue: \$ 3,600,000

Issue date: August 1, 2001

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2005	4.00 %	\$ 89,500	\$ 69,300	\$ 158,800
2/1/2006	4.00	-	67,511	67,511
8/1/2006	4.00	89,500	67,511	157,011
2/1/2007	4.00	-	65,720	65,720
8/1/2007	4.00	134,250	65,720	199,970
2/1/2008	4.00	-	63,036	63,036
8/1/2008	4.00	134,250	63,036	197,286
2/1/2009	4.00	-	60,351	60,351
8/1/2009	4.00	134,250	60,351	194,601
2/1/2010	4.00	-	57,666	57,666
8/1/2010	4.00	179,000	57,666	236,666
2/1/2011	4.00	-	54,086	54,086
8/1/2011	4.25	179,000	54,086	233,086
2/1/2012	4.25	-	50,282	50,282
8/1/2012	4.25	201,375	50,282	251,657
2/1/2013	4.25	-	46,003	46,003
8/1/2013	5.00	201,375	46,003	247,378
2/1/2014	5.00	-	40,969	40,969
8/1/2014	5.00	223,750	40,969	264,719
2/1/2015	5.00	-	35,375	35,375
8/1/2015	5.00	223,750	35,375	259,125
2/1/2016	5.00	-	29,781	29,781
8/1/2016	4.70	223,750	29,781	253,531
2/1/2017	4.70	-	24,187	24,187
8/1/2017	4.70	223,750	24,187	247,937
2/1/2018	4.70	-	18,929	18,929
8/1/2018	4.70	268,500	18,929	287,429
2/1/2019	4.70	-	12,620	12,620
8/1/2019	4.70	268,500	12,620	281,120
2/1/2020	4.70	-	6,310	6,310
8/1/2020	4.70	268,500	6,310	274,810
		<u>\$ 3,043,000</u>	<u>\$ 1,334,952</u>	<u>\$ 4,377,952</u>



City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2003 Street Sweeper Loan

Purpose: To finance the purchase of a new street sweeper.

Issue: \$ 143,100

Issue date: September 4, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
12/1/2005	4.68 %	\$ 19,721	\$ 3,942	\$ 23,663
12/1/2006	4.68	20,644	3,018	23,662
12/1/2007	4.68	21,610	2,052	23,662
12/1/2008	4.68	22,263	1,399	23,662
		<u>\$ 84,238</u>	<u>\$ 10,411</u>	<u>\$ 94,649</u>

2003 Dump Truck Loan

Purpose: To finance the purchase of a new dump truck.

Issue: \$ 41,627

Issue date: April 28, 2003

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
4/28/2006	4.07 %	<u>\$ 14,425</u>	<u>\$ 557</u>	<u>\$ 14,982</u>

## City of Ionia

## SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2004 General Obligation Limited Tax Bonds

Purpose: To pay for costs for construction and improvements to the water and sewer system.

Issue: \$ 4,200,000

Issue date: August 1, 2004

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2005	3.00 %	\$ -	\$ 71,330	\$ 71,330
2/1/2006	3.00	-	71,330	71,330
8/1/2006	3.00	-	71,330	71,330
2/1/2007	3.00	-	71,330	71,330
8/1/2007	3.00	60,000	71,330	131,330
2/1/2008	3.00	-	70,430	70,430
8/1/2008	3.00	60,000	70,430	130,430
2/1/2009	3.00	-	69,530	69,530
8/1/2009	3.00	60,000	69,530	129,530
2/1/2010	3.00	-	68,630	68,630
8/1/2010	3.50	60,000	68,630	128,630
2/1/2011	3.50	-	67,580	67,580
8/1/2011	3.50	60,000	67,580	127,580
2/1/2012	3.50	-	66,530	66,530
8/1/2012	3.75	80,000	66,530	146,530
2/1/2013	3.75	-	65,030	65,030
8/1/2013	4.00	80,000	65,030	145,030
2/1/2014	4.00	-	63,430	63,430
8/1/2014	4.00	100,000	63,430	163,430
2/1/2015	4.00	-	61,430	61,430
8/1/2015	4.00	100,000	61,430	161,430
2/1/2016	4.00	-	59,430	59,430
8/1/2016	4.00	120,000	59,430	179,430
2/1/2017	4.00	-	57,030	57,030
8/1/2017	4.00	120,000	57,030	177,030
2/1/2018	4.00	-	54,630	54,630
8/1/2018	4.13	140,000	54,630	194,630
2/1/2019	4.13	-	51,742	51,742
8/1/2019	4.13	140,000	51,742	191,742
2/1/2020	4.13	-	48,855	48,855
8/1/2020	4.25	140,000	48,855	188,855
2/1/2021	4.25	-	45,880	45,880
8/1/2021	4.25	200,000	45,880	245,880
2/1/2022	4.25	-	41,630	41,630
8/1/2022	4.38	200,000	41,630	241,630
2/1/2023	4.38	-	37,255	37,255
8/1/2023	4.38	200,000	37,255	237,255
2/1/2024	4.38	-	32,880	32,880

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2004 General Obligation Limited Tax Bonds - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2024	4.50 %	\$ 240,000	\$ 32,880	\$ 272,880
2/1/2025	4.50	-	27,480	27,480
8/1/2025	4.50	240,000	27,480	267,480
2/1/2026	4.50	-	22,080	22,080
8/1/2026	4.60	240,000	22,080	262,080
2/1/2027	4.60	-	16,560	16,560
8/1/2027	4.60	240,000	16,560	256,560
2/1/2028	4.60	-	11,040	11,040
8/1/2028	4.60	240,000	11,040	251,040
2/1/2029	4.60	-	5,520	5,520
8/1/2029	4.60	240,000	5,520	245,520
		<u>\$ 3,360,000</u>	<u>\$ 2,445,854</u>	<u>\$ 5,805,854</u>

2005 Police Cars Note

Purpose: To finance the purchase of 3 new police cars.

Issue: \$ 63,645

Issue date: February 4, 2005

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2005	3.45 %	\$ 31,823	\$ 1,275	\$ 33,098
9/1/2006	3.45	31,822	2,227	34,049
		<u>\$ 63,645</u>	<u>\$ 3,502</u>	<u>\$ 67,147</u>

## City of Ionia

## SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2005 General Obligation Limited Tax Bonds

Purpose: To pay for costs for construction and improvements to the Water and Sewer Systems.

Issue: \$ 3,700,000

Issue date: May 1, 2005

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
2/1/2006	3.50 %	\$ -	\$ 101,605	\$ 101,605
8/1/2006	3.50	-	67,737	67,737
2/1/2007	3.50	-	67,737	67,737
8/1/2007	3.50	22,500	67,737	90,237
2/1/2008	3.50	-	67,343	67,343
8/1/2008	3.50	45,000	67,343	112,343
2/1/2009	3.50	-	66,555	66,555
8/1/2009	3.50	67,500	66,555	134,055
2/1/2010	3.50	-	72,639	72,639
8/1/2010	3.50	90,000	65,374	155,374
2/1/2011	3.50	-	63,799	63,799
8/1/2011	3.50	90,000	63,799	153,799
2/1/2012	3.50	-	62,224	62,224
8/1/2012	3.50	90,000	62,224	152,224
2/1/2013	3.50	-	60,649	60,649
8/1/2013	3.60	112,500	60,649	173,149
2/1/2014	3.60	-	58,624	58,624
8/1/2014	3.60	112,500	58,624	171,124
2/1/2015	3.60	-	56,598	56,598
8/1/2015	3.65	112,500	56,598	169,098
2/1/2016	3.65	-	54,545	54,545
8/1/2016	3.70	135,000	54,545	189,545
2/1/2017	3.70	-	52,048	52,048
8/1/2017	3.80	135,000	52,048	187,048
2/1/2018	3.80	-	49,483	49,483
8/1/2018	3.90	135,000	49,483	184,483
2/1/2019	3.90	-	46,850	46,850
8/1/2019	4.00	157,500	46,850	204,350
2/1/2020	4.00	-	43,700	43,700
8/1/2020	4.10	157,500	43,700	201,200
2/1/2021	4.10	-	40,471	40,471
8/1/2021	4.10	157,500	40,471	197,971
2/1/2022	4.10	-	37,243	37,243
8/1/2022	4.20	180,000	37,243	217,243
2/1/2023	4.20	-	33,463	33,463
8/1/2023	4.20	180,000	33,463	213,463
2/1/2024	4.20	-	29,683	29,683

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2005

2005 General Obligation Limited Tax Bonds - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Amount Due</u>
8/1/2024	4.20 %	\$ 202,500	\$ 29,683	\$ 232,183
2/1/2025	4.30	-	25,330	25,330
8/1/2025	4.30	202,500	25,330	227,830
2/1/2026	4.30	-	20,975	20,975
8/1/2026	4.40	225,000	20,975	245,975
2/1/2027	4.40	-	16,025	16,025
8/1/2027	4.40	225,000	16,025	241,025
2/1/2028	4.40	-	11,075	11,075
8/1/2028	4.45	247,500	11,075	258,575
2/1/2029	4.45	-	5,569	5,569
8/1/2029	4.50	247,500	5,569	253,069
		<u>\$ 3,330,000</u>	<u>\$ 2,247,333</u>	<u>\$ 5,407,991</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Ionia  
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ionia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to administration of the District in a separate letter dated September 22, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Ionia, Michigan, in a separate letter dated September 22, 2005.

This report is intended solely for the information and use of management and the City Council of the City of Ionia, Michigan and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2005

**City of Ionia  
Ionia County, Michigan**

**SUPPLEMENTARY INFORMATION TO  
FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**June 30, 2005**



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and  
Members of the City Council  
City of Ionia  
Ionia, Michigan

Compliance

We have audited the compliance of the City of Ionia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended June 30, 2005. The City of Ionia's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major Federal programs are the responsibility of the City of Ionia's management. Our responsibility is to express an opinion on the City of Ionia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ionia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ionia's compliance with those requirements.

In our opinion, the City of Ionia complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Ionia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City of Ionia's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2005, and have issued our report thereon dated September 22, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ionia's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2005

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through State of Michigan Economic Development Corporation					
Community Development Block Grant (CDBG) Program States Program <sup>(a)</sup>	14.228				
Downtown Revitalization/Brown Corporation Expansion Project					
		MSC 202021-EDIG	\$ 900,350	\$ 771,972	\$ 771,972
U.S. DEPARTMENT OF JUSTICE					
Passed through State of Michigan Office of Drug Control Policy and Newaygo County Byrne Formula Grant Program	16.579	N/A	58,327	17,081	17,081
2003-2004 CMET		N/A	56,007	56,007	56,007
2004-2005 CMET					
Bureau of Justice Assistance (Direct Program)			114,334	73,088	73,088
2003 Bullet Proof Vest Partnership Program		N/A	1,950	883	883
	16.607				
TOTAL U.S. DEPARTMENT OF JUSTICE			116,284	73,971	73,971
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan Department of Transportation					
Federal Transit - Capital Investment Grants	20.500				
Section 5309 Capital (City)		2002-0050/Z7	299,038	52,863	52,863
Section 5309 Capital (City)		2002-0050/Z3	237,568	30,851	30,851
			536,606	83,714	83,714
Jobs Access and Reverse Commute Grant					
Operating (City) FY 02-03	20.516		81,570	20,409	20,409
Operating (City) FY 03-04		2002-0050/Z6 2001-0444/A2	81,570	10,614	10,614
			163,140	31,023	31,023

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION - CONTINUED					
Passed through Michigan Department of Transportation - continued					
Capital Assistance for Elderly Persons and Persons with Disabilities	20.513	2001-0880	\$ 20,000	\$ 19,145	\$ 19,145
Section 5310 Capital Grant					
Formula Grants for Other Than Urbanized Areas	20.509	N/A	3,000	3,000	3,000
RTAP 2004-2005					
Section 5311 Operating Assistance					
2003-2004 (City)		2002-0050/Z9	35,481	17,605	17,605
2003-2004 (Authority)		2002-0051/Z6	18,603	9,883	9,883
Section 5311 Capital Grant (Authority)		2002-0050/Z11	68,248	48,297	48,297
			125,332	78,785	78,785
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			845,078	212,667	212,667
U.S. DEPARTMENT OF HOMELAND SECURITY					
The State Homeland Security Grant Program					
Passed through Michigan Department of State Police, Emergency Management Division					
State Domestic Preparedness Equipment Support Program	97.004	N/A	25,000	17,847	17,847
Solutions Area Planner		N/A	22,000	19,350	19,350
2003 SHSGP		N/A	212,521	137,414	137,414
2004 SHGP					
Assistance to Firefighters Grant (Direct Program)	97.044		259,521	174,611	174,611
Fire Prevention and Safety Program		EMW-2004-FP-01455	721,422	7,624	7,624
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			980,943	182,235	182,235
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,842,655	\$ 1,240,845	\$ 1,240,845

<sup>(a)</sup> Denotes program tested as a "major program"

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2005

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Ionia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note B.

**NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the June 30, 2005 Basic Financial Statements to the expenditures of the City administered Federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Other Adjustments</u>	<u>Federal Expenditures</u>
GENERAL FUND				
Homeland Security Grants	\$ 188,322	\$ -	\$( 6,087 )	\$ 182,235
CMET reimbursements	73,088	-	-	73,088
Other programs	<u>944,078</u>	<u>( 944,078 )</u>	<u>883</u>	<u>883</u>
TOTAL GENERAL FUND	1,205,488	( 944,078 )	( 5,204 )	256,206
CAPITAL PROJECTS FUNDS				
Grant Projects Fund	753,236	-	18,736	771,972
ENTERPRISE FUNDS				
Dial-A-Ride Fund	<u>212,667</u>	<u>-</u>	<u>-</u>	<u>212,667</u>
	<u>\$ 2,171,391</u>	<u>\$( 949,282 )</u>	<u>\$ 18,736 <sup>(1)</sup></u>	<u>\$ 1,240,845</u>

<sup>(1)</sup> All adjustments were the result of immaterial reclassifications between Federal, State, and Local revenue categories.

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PROVIDED TO SUBRECIPIENTS

Year Ended June 30, 2005

<u>Program Title/Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Cash Transferred to Subrecipient</u>	<u>Subrecipient Expenditures</u>
Capital Assistance for Elderly Persons and Persons with Disabilities Ionia County Commission on Aging	20.513	2001-0880	\$ 20,000	\$ 19,145	\$ 19,145

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Ionia  
Ionia, Michigan

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2005, and have issued our report thereon dated September 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ionia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Ionia in a separate letter dated September 22, 2005.



This report is intended solely for the information and use of management and the City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2005

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major programs tested.

The major program tested to cover 50 percent of the total Federal expenditures was the Community Development Block Grant (CDBG) Program (CFDA 14.228). Total Federal expenditures for the year ended June 30, 2005, for the major program were \$771,972, which is approximately 62 percent of total Federal expenditures. The City did not qualify as a low-risk auditee.

The City had one Type A program, Community Development Block Grant (CDBG) Program (CFDA 14.228). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

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MANAGEMENT LETTER

To the Honorable Mayor and  
Members of the City Council  
City of Ionia  
Ionia, Michigan

As you know, we have recently completed our audit of the records of the City of Ionia, Michigan as of and for the year ended June 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. The City should review the status of individual fund balances (deficits) near year-end.

As noted in the financial statements, the City has two (2) funds that ended the year in a deficit financial position. The City has submitted a deficit elimination plan to the State of Michigan for this fund and received the State's approval. With respect to the DDA Fund, revenues exceeded expenditures for the fiscal year ended June 30, 2005, and the City remains committed to their plan. The City is required to update their plan with the Michigan Department of Treasury and that updated plan will also need to address the fund deficit reported in the Environmental Bond Issue Fund. This issue had been noted and reported in our audit comments in the prior year.

We suggest the City review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

2. The City should monitor and amend budgets for applicable funds as necessary.

During the course of our audit, we noted an instance where expenditures had been incurred in excess of amounts appropriated. This was noted in the General Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Council shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We suggest that the City Council monitor adopted budgets against actual expenditures and make adjustments as appropriate throughout the year.

3. The Council should amend the City's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the City has not amended their investment policy to address the reporting requirements of GASB Statement No. 40.

Deposit and investment resources often represent significant assets of the City's governmental funds. These resources are necessary for the delivery of the City's services and programs. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the City's ability to provide services and meet its obligations as they become due.

We suggest the Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the City's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated September 22, 2005.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Ionia and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2005